

# MARKET UPDATE

**15/03/2023**

## **Dollar finds footing as SVB fears calm down**

The dollar was attempting to steady in Asia on Wednesday, as investors dialled back bets on U.S. rate cuts and fear of a banking crisis ebbed - though a looming hike in Europe had the euro on a firm footing.

The European Central Bank meets on Thursday and markets think a 50 basis point hike is likely, a more hawkish stance than traders expect from the U.S. Federal Reserve next week.

The euro touched a month high \$1.0760 in the Asia session before drifting back to flat at \$1.0744. Elsewhere, the last few days' selling pressure on the dollar was abating.

The dollar rose 0.4% to 134.72 yen, even as wage talks delivered the biggest pay increases in a quarter century which are likely to pressure monetary policy settings in Japan.

Recent rallies in sterling, Scandinavian currencies, the Australian dollar and the New Zealand dollar also seemed to lose steam - though without really giving back any ground.

Banking stocks bounced and bonds and interest rate futures have given back some of the huge gains they logged following the collapse of three U.S. banks in a matter of days.

## **Oil prices recover from 2023 lows on China optimism**

Oil prices rose on Wednesday as a drop to three-month lows attracted some bargain buying, while optimism over Chinese demand, following strong economic data and a hike in the OPEC's outlook for the country, also aided sentiment.

But crude markets were still nursing steep losses this week, as fears of a potential banking crisis in the U.S. drove up concerns that a recession could crimp oil demand this year.

Brent oil futures rose 1.1% to \$78.30 a barrel, while West Texas Intermediate crude futures rose 1.2% to \$72.20 a barrel by 22:31 ET (02:31 GMT). Both contracts recovered from their lowest levels since early-December, also aided by continued weakness in the dollar.

The greenback sank against a basket of currencies as overall U.S. consumer inflation eased as expected in February. Ructions in the banking system also saw markets question whether the Fed will have enough economic headroom to remain hawkish.



## Asian shares rise as fears about rapid Fed hikes, bank crisis fade

Asian equities rose on Wednesday, tracking a relief rally on Wall Street after U.S. inflation data delivered no nasty surprises, reinforcing hopes the Federal Reserve will likely go for a smaller rate hike when it meets next week.

Investors piled back into stocks in U.S. markets overnight as fears eased about contagion in the banking sector following the collapse of Silicon Valley Bank (SVB) last week.

MSCI's broadest index of Asia-Pacific shares outside Japan was 1% higher, having slid 1.7% on Tuesday after SVB's collapse triggered heavy selling by investors in the last few trading sessions.

The rally is unlikely to continue in Europe with European stock futures indicating a lower open. Eurostoxx 50 futures were down 0.07%, German DAX futures up 0.01% and FTSE futures down 0.04%.

"It's clearly dominated by a relief rally rather than any inflation angst," said Robert Carnell, regional head of research, Asia Pacific at ING.

Investors were also relieved after February's U.S. inflation report on Tuesday showed consumer prices rose 0.4%, with a year-on-year gain of 6% - in line with analyst expectations. There were worries that stronger-than-expected data might lead the Fed to go for jumbo-sized hikes to battle inflation.

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