

MARKET UPDATE

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Asia FX sinks, dollar rises amid Fed uncertainty bank crisis fears

Most Asian currencies fell on Monday and the dollar rose as markets hunkered down ahead of a Federal Reserve meeting this week, while fears of a banking crisis kept sentiment on edge despite government measures to assuage market concerns.

The Chinese yuan fell 0.2% after the People's Bank unexpectedly cut reserve requirement ratios for local lenders, loosening liquidity conditions. The central bank also maintained its loan prime rates at record lows, as it moves to increase liquidity conditions and shore up economic growth.

But this has the added effect of applying more pressure on the yuan, as the gap between local and overseas interest rates widens. The Chinese currency was trading close to the 7 level against the dollar on Monday.

Other Asian currencies also retreated, with the South Korean won losing 0.3%, while the Japanese yen lost about 0.1%. But the yen was trading close to its strongest level in a month, aided by increased safe haven demand in the past week

. Oil prices sink as bulls unconvinced by major central bank liquidity support

Oil prices fell on Monday, reversing early gains as anticipation of a Federal Reserve meeting and concerns over weakening demand this year largely offset measures by major central banks to ease market fears of a looming banking crisis.

Crude markets were nursing their worst weekly loss this year as investors sold heavily on concerns that an economic slowdown this year will stymie oil demand. This notion also saw a mass liquidation of oil longs over the past week, as prices crashed to 15-month lows.

Prices took little support from the Fed, European Central Bank, and other major central banks pledging to increase market liquidity and support the banking sector. The move came shortly after Swiss bank UBS Group AG (NYSE:UBS) announced that it will buy beleaguered peer Credit Suisse Group (SIX:CSGN) in a "historic deal" facilitated by regulators, intended to help ease concerns over a banking crisis.



Bitcoin near 9-month high as bank turmoil sparks rally

Bitcoin hovered near nine-month highs on Monday and has closed out its best week in four years as turmoil in traditional banking drives some investors to turn to digital assets.

The biggest cryptocurrency by market value fell 1.8% in Asia hours to \$27,549 after hitting its highest since June 12 on Sunday at \$28,474.

It rose 26% last week and is up more than 35% in ten days as turmoil in the banking sector has rippled around the globe -- beginning with the collapse of Silicon Valley Bank and culminating, so far, in UBS' takeover of Credit Suisse at a discount over the weekend.

"The momentum is all driven by liquidity, as bitcoin is an alternative liquidity vehicle," said Markus Thielson, head of research and strategy at digital asset financial services firm Matrixport based in Singapore.

He expects bitcoin can hit \$45,000 by year's end, with liquidity from central banks finding its way into crypto assets, much as it did during 2021, when bitcoin scaled record highs.

The U.S. Federal Reserve on Sunday said it and other big central banks would deepen liquidity by increasing the frequency of dollar supply operations into financial markets.

Ether, the second-biggest cryptocurrency, rose to a seven-month high of \$1,846.50 on Sunday and was last at \$1,768.

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