

MARKET UPDATE

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Gold prices dip from \$2,000

Gold prices retreated on Monday as traders locked in profits after a strong run of gains but remained near key levels hit last week as fears of a global banking crisis kept safe haven demand high.

Bullion prices surged to over \$2,000 last week amid concerns over the next domino to fall among U.S. and European banks, with the yellow metal largely outpacing the dollar as a safe haven asset this year.

Gold saw some profit taking on Monday, also coming under pressure from a slight resurgence in the dollar after some Federal Reserve officials said the bank could hike rates at least two more times.

U.S. and European officials warned over the weekend that the banking sector was being closely monitored for any signs of a potential credit crunch. The latest source of market concern came from Deutsche Bank AG (ETR:DBKGn), whose shares plummeted last week after the cost of insuring the bank's debt against potential default shot up to near five-year highs.

Markets are fearful over the collapse of any European banks after Swiss lender Credit Suisse Group (SIX:CSGN) was taken over by peer UBS Group

Asia FX dips as banking crisis kept investors wary

Asian currencies fell on Monday as persistent fears of a banking crisis kept investors wary of most risk-driven assets, while a weak economic indicator from China also dampened optimism over a recovery in Asia's largest economy.

China's yuan fell 0.2% after data showed industrial profits fell sharply in the first two months of 2023. The reading pointed to a mixed economic recovery in China, and that local manufacturers were struggling despite a rebound in business activity after the relaxing of anti-COVID measures.

Other China-exposed currencies also fell, with the Singapore dollar down 0.2%, while the South Korean won fell 0.3%. A slow economic recovery in China bodes poorly for the Asian countries that depend on Beijing as a major trading partner.

Focus this week is also on Chinese business activity data for March, due on Friday. The reading is expected to show further improvement after a strong recovery earlier this year.



Dollar steady as banking crisis fears linger

The dollar was steady on Monday, while the yen hovered near its seven-week peak as investors assessed moves made by authorities and regulators to rein in worries over the global banking system.

The dollar index, which measures the currency against six rivals, rose 0.078% at 103.07, having gained 0.5% on Friday amid banking jitters, with shares of Deutsche Bank (ETR:DBKGn) sliding nearly 9%.

Global banking stocks have been battered through the month in the wake of the sudden collapse of two U.S. lenders and the rescue of embattled Swiss bank Credit Suisse last week, with authorities stepping in to ease investors nerves.

"Pragmatic action by central banks, governments, and the private sector has thus far been insufficient to allow investors to be confident that the problem is ring-fenced," said Marc Chandler, chief market strategist at Bannockburn Global Forex.

On Monday, the Federal Deposit Insurance Corporation said First Citizens Bancshares Inc would acquire all of Silicon Valley Bank's deposits and loans from the regulator.

The U.S. Financial Stability Oversight Council said on Friday the U.S. banking system was "sound and resilient" despite stress on some institutions. Investors, though, remain wary.

Risk-averse investors sent the yen to a seven-week high of 129.65 per dollar on Friday and the currency was on track to clock a 4% gain in March. It was last at 130.75 on Monday.

The Fed on Wednesday raised interest rates by 25 basis points, as expected, but took a cautious stance on the outlook because of banking sector turmoil even as Fed Chair Jerome Powell kept the door open on further rate rises if necessary.

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