

# MARKET UPDATE

**30/03/2023**

## **Oil prices muted as markets weigh tighter supply**

Oil prices moved little in early Asian trade on Thursday as markets awaited key business activity data from China for more cues on the world's largest crude importer, although signs of tightening supplies saw crude prices trading higher for the week.

Focus now turns to Chinese manufacturing and service sector activity data, due on Friday, to gauge the state of an economic rebound three months into a post-COVID reopening.

But analysts expect some cooling in activity, given that the country still faces headwinds from weak export demand and sluggish domestic spending. A soft reading could present some near-term risks to oil prices, as markets reassess their bets on a Chinese economic rebound this year.

## **European stock futures edge higher, German inflation data in focus**

European stock markets are expected to trade marginally higher at the open Thursday, as investors concentrate on the region's banking sector and the release of fresh inflation data.

European equities closed firmly higher Wednesday, led by gains from UBS (SIX:UBSG), as tensions surrounding the banking industry eased.

UBS stock gained over 3% after the Swiss banking giant recruited Sergio Ermotti to return to his role of CEO as the lender attempts to integrate troubled peer Credit Suisse following its government-sponsored acquisition.

However, with fears of a widespread banking crisis easing, investor attention has largely switched to the battle central banks face in trying to tame still elevated levels of inflation.

In the U.S., the Fed's favourite gauge of inflation, core PCE price index, is due on Friday, but ahead of that comes the release of preliminary CPI data from Germany, the largest economy in the Eurozone.

The first German state to report earlier Thursday was North Rhine Westphalia, the most populous, and its CPI rose 0.6% on the month in March, an annual gain of 6.9%.

This represents a slowing in growth from the previous month's 0.8%, and annual 8.5%, and offers hope that inflation in this important region might be finally slowing.

## Asia FX muted, dollar firms as China PMIs loom

Most Asian currencies kept to a tight range on Thursday amid caution ahead of key Chinese economic data, while easing fears of a banking crisis spurred sharp gains in Treasury yields and a recovery in the dollar.

The dollar rose in overnight trade, and firmed slightly in the Asian session as easing pressure on the banking sector saw markets reassess their outlook on U.S. interest rate hikes in the near-term.

The dollar index and dollar index futures rose less than 0.1% each, after adding 0.2% in overnight trade.

The Chinese yuan was flat as investors digested a slew of signals on Asia's largest economy. Premier Li Qiang said that the economy had improved in March after a sluggish start to the year, and that the government will keep rolling out supportive measures.

But optimism over his statements was somewhat offset by fears of worsening U.S.-China tensions, as Beijing warned of retaliation over Taiwan President Tsai Ing-wen's American visit.

Focus is now squarely on Chinese manufacturing and service sector activity data for March, due on Friday. Analysts are expecting some cooling in growth, after activity rebounded past pre-COVID levels in February.

China is facing increased economic headwinds from slowing global demand for Chinese goods, as well as sluggish domestic consumption.

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