MARKET UPDATE

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Oil prices edge up as OPEC+ output cuts

Oil prices rose on Wednesday, boosted by expectations of U.S. crude inventory declines as well as the latest output cut targets set by the OPEC+ producer alliance.

Brent crude futures gained 45 cents, or 0.5%, to $85.39 a barrel by 0352 GMT. West Texas Intermediate U.S. crude was up 40 cents, or 0.5%, to $81.11 a barrel.

The rises came as an industry report showed U.S. crude stocks fell by about 4.3 million barrels in the week ended March 31. The official inventory report by the U.S. Energy Information Administration is due at 1430 GMT on Wednesday.

Continuing to add support were the latest targets to reduce supplies set by the Organization of Petroleum Exporting Countries (OPEC) and allies including Russia, a group known as OPEC+.

"Energy traders are still digesting the OPEC+ surprise production cut and any news that suggests the oil market will remain even tighter is going to send prices even higher," said Edward Moya, an analyst at OANDA.

The OPEC+ plan would bring the total volume of cuts by the group to 3.66 million barrels per day (bpd), including a 2 million bpd cut last October, equal to about 3.7% of global demand.

European stock futures mixed

European stock markets are expected to open in a subdued fashion Wednesday ahead of the release of Eurozone services activity data, with risk sentiment still fragile.

Trading ranges are expected to be tight in Europe as a long weekend approaches, with investors wary about the possibility of recessions on both sides of the Atlantic.

Over in the U.S., Tuesday's JOLTS report showed that job openings dropped to their lowest level in nearly two years in February. This followed data showing that the U.S. manufacturing sector sank deeper into contraction in March.

Back in Europe, there have been some encouraging economic signs, but Monday's manufacturing activity data showed that factories struggled across the euro zone last month with consumers feeling the pinch from rising living costs.

Dollar mired near two-month low

The U.S. dollar was stuck near two-month lows on Wednesday as weak economic data bolstered views that the Federal Reserve is near the end of its tightening cycle, while the New Zealand dollar jumped after a larger-than expected interest rate hike.

New Zealand's central bank raised interest by 50 basis points (bps) to a more than 14-year high of 5.25% in a move that surprised markets, as 22 of 24 economists in a Reuters poll had forecast just a 25-bps hike.

The kiwi rallied 1% to touch a two-month high of $0.6383 after the decision. It was last up 0.55% at $0.635.

Christopher Wong, a currency strategist at OCBC, said the central bank's stance was that near term inflationary pressures have increased and inflation is still too high and persistent, adding the hike brings the tightening cycle closer to an end.

Elsewhere, data overnight showed U.S. job openings dropped to their lowest level in nearly two years in February, suggesting that labour market conditions were finally easing.

Job openings, a measure of labour demand, were down 632,000 to 9.9 million on the last day of February, the monthly Job Openings and Labour Turnover Survey, or JOLTS report, showed. Economists polled by Reuters had forecast 10.4 million openings.

The dollar index, which measures the currency against six peers, eased to a fresh two-month low of 101.43, after dropping 0.5% overnight. It was last at 101.57.

The euro was flat at $1.0953, below the two-month peak it touched on Tuesday. Sterling was last at $1.2483, down 0.13% on the day, easing away from the ten month high it scaled on Tuesday.

"The market is still looking at the U.S. data very closely ... The market is very sensitive to how well the U.S. growth outlook is holding up in light of the banking stress," said Moh Siong Sim, currency strategist at Bank of Singapore.