

# MARKET UPDATE

**18/04/2023**

## **Oil edges up as China's economy gathers pace**

Oil prices firmed slightly on Tuesday, after falling 2% in the previous session, as stronger economic data from the world's largest crude importer China underpinned the demand outlook.

Brent crude climbed 34 cents to \$85.10 a barrel at 0618 GMT, while U.S. West Texas Intermediate rose 29 cents to \$81.12 a barrel.

China's economy grew at a faster-than-expected clip in the first quarter, official data showed, expanding 4.5% year-on-year as policymakers move to bolster growth following the end of strict COVID-19 curbs in December.

"The remarkable recovery of the Chinese economy has supported the recent rebound in oil prices," CMC Markets analyst Leon Li said.

Furthermore, May is the seasonal peak travel period in China and demand for fuel is expected to post a very large year-on-year increase, he said.

Chinese refinery throughput surged to record levels in March, signalling robust demand for fuel, as refiners stepped up runs to capture strong export demand and build up inventories ahead of planned maintenance.

The International Energy Agency (IEA) has forecast that China will account for most of 2023 crude oil demand growth.

## **Dollar edges lower**

The U.S. dollar slipped lower in early European trade Tuesday, handing back some of the overnight gains as healthy Chinese growth data boosted risk sentiment.

At 02:05 ET (06:05 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% lower at 101.707, after rising 0.5% overnight.

China's post-COVID recovery appears to be firmly on track, after data released earlier Tuesday showed that the second largest economy in the world expanded 4.5% in the first quarter year-on-year, beating forecasts for 4% growth, and registering a sharp acceleration from the previous quarter's 2.9% reading.

Additionally, retail sales surged more than 10%, hitting a near two-year high, reinforcing hopes that the country's post-pandemic recovery remains on course.



## Asian stocks fall as upbeat Chinese data fails to impress

Asian stocks weakened on Tuesday, brushing off an initial lift from better-than-expected Chinese economic data as signs of patchiness in the country's recovery weighed on investor sentiment.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5%, a deeper loss than earlier in the day when it was off 0.27%.

China's economy grew 4.5% year-on-year for the first quarter, eclipsing the expectations of most economists.

The currencies of Australia and New Zealand, whose exports are reliant on Chinese demand, both popped higher after the GDP data.

Despite some initial momentum in wider markets, the better-than-expected data failed to fire up a sustained rally in regional equities.

Hong Kong's Hang Seng Index fell 0.85% on Tuesday, dragged lower by consumer and technology stocks. China's blue-chip CSI300 Index was barely higher as it gained 0.08%.

Australian shares were off by 0.45%. Japan's Nikkei stock index was the standout performer in the region as it rose 0.55%.

Analysts said The mixed market performance was the result of some underlying Chinese data falling below expectations, despite the strong headline results.

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