

MARKET UPDATE

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Asia FX dips, dollar steadies

Most Asian currencies retreated on Wednesday, while the dollar firmed slightly as uncertainty over rising U.S. interest rates battered risk-heavy assets, with focus now turning to a slew of economic indicators due this week.

The Japanese yen fell 0.2%, coming under renewed pressure from the dollar this week as new Bank of Japan Governor Kazuo Ueda reiterated that the central bank will maintain its ultra-loose monetary policy.

Worsening local economic conditions also weighed on the yen, with focus turning to key nationwide inflation data due on Friday.

Optimism over a Chinese economic recovery offered little support to regional currencies, as stronger-than-expected first quarter GDP data also pointed to an uneven rebound. The country's manufacturing sector, considered a bellwether for growth, was still struggling to recover from the COVID pandemic.

The Chinese yuan was flat on Wednesday. Focus this week is also on an interest rate decision by the People's Bank of China on Thursday.

Risk-heavy Southeast Asian currencies also retreated, with the Thai baht down 0.3%, while the Singapore dollar lost 0.1%. The Malaysian ringgit was somewhat supported by data showing that the country's trade balance grew more than expected in March.

Oil prices flat as U.S. inventories shrink

Oil prices moved little in Asian trade on Wednesday as anticipation of a slew of indicators on U.S. monetary policy and the economy kept sentiment tepid, although signs of shrinking U.S. inventories pointed to tighter supplies.

Data from the American Petroleum Institute showed that U.S. crude inventories shrank by a slightly bigger-than-expected 2.68 million barrels in the week to April 14. The figure heralds a similar trend in government data due later in the day, and signals tightening supplies as fuel demand picks up due to improving weather.

Oil markets were also cheered by stronger-than-expected Chinese economic growth data, which furthered the notion that a recovery in China will drive oil demand to record highs this year. Travel demand in the country also appeared to be closing in on pre-COVID levels.

Gold edges lower as markets seek clarity on Fed rate hikes

Gold prices fell slightly in Asian trade on Wednesday, but hovered around key levels as markets awaited more cues on U.S. monetary policy from a string of upcoming Federal Reserve speakers and reports.

The yellow metal retook the \$2,000 level on Tuesday as the dollar and U.S. Treasury yields cooled after a recent recovery rally. But further gains were held back by growing uncertainty over the path of U.S. interest rates, with recent hawkish signals from Fed speakers having spooked markets.

Still, gold remained relatively well bid amid fears of an economic slowdown this year, as the effect of high interest rates is felt by the global economy.

Spot gold fell 0.1% to \$2,002.76 an ounce, while gold futures fell 0.2% to \$2,015.00 an ounce by 22:01 ET (02:01 GMT). Both instruments advanced on Tuesday after two days of steep losses.

Focus is now squarely on a slew of cues from the Federal Reserve, starting with the Beige Book economic report due later on Wednesday. Fed Governors Christopher Waller and Lisa Cook are also set to speak on Thursday and Friday, respectively.

Hawkish comments from Fed officials, coupled with some signs of resilience in the U.S. economy spurred resurgent fears that U.S. interest rates could rise more than expected.

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