

MARKET UPDATE

25/04/2023

Gold rises on softer dollar

Gold prices rose on Tuesday, extending a recovery into a third straight session as the dollar fell amid bets that the Federal Reserve could pause its rate hike cycle by as soon as June.

The greenback fell 0.2% and fell to a two-week low, having reversed most of its recent gains amid a resurgence in bets for a Fed pause, with some participants even positioning for a rate cut later this year.

This scenario bodes well for gold, given that rising interest rates push up the opportunity cost of holding non-yielding assets such as bullion. The Fed's pivot is also expected to be driven by worsening economic conditions, which increase the safe haven appeal of the yellow metal.

Asia FX drifts lower as Fed jitters persist

Most Asian currencies fell on Tuesday, taking little support from a weaker dollar as markets continued to fret over rising U.S. interest rates, while fears of slowing economic growth kept appetite for risk-driven assets limited.

South Korea's won lost 0.3% as data showed that the country barely avoided a recession in the first quarter. But while steady consumer spending helped support the country's GDP, sluggish capital investment and weak exports pointed to more economic headwinds this year.

The weak GDP also lent further credence to the Bank of Korea's decision to hold interest rates, which is dovish for the won.

China's yuan fell 0.2% and was once again trading close to the 7 level against the dollar amid mixed signals on an economic recovery in the country. While Chinese commodity imports improved substantially in March, the property sector shrank, and growth in consumer spending still remained well below pre-COVID levels.

China's GDP grew more than expected in the first quarter of 2023. But growth was largely skewed to the service sector, as manufacturing continued to struggle.

The Japanese yen fell 0.1%, as new Bank of Japan Governor Kazuo Ueda said that the bank will likely maintain its ultra-dovish stance in the near-term.



European stock futures edge lower

European stock markets are expected to open with small losses Tuesday, with investors cautious ahead of the start of big tech earnings season on Wall Street.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% lower, CAC 40 futures in France dropped 0.2% and the FTSE 100 futures contract in the U.K. fell 0.3%.

Earnings from U.S. tech giants Microsoft (NASDAQ:MSFT) and Google parent Alphabet (NASDAQ:GOOGL) top the watchlist on Tuesday, ahead of numbers from Facebook-owner Meta Platforms (NASDAQ:META), Amazon (NASDAQ:AMZN) and Intel (NASDAQ:INTC) later this week.

Just five tech stocks have accounted for two-thirds of the S&P 500's gains this year, so their numbers could well determine how the market comes out of the quarterly earnings season.

Investors will be looking for news on cost cutting and job shedding across the industry, as well as their efforts around artificial intelligence.

Back in Europe, it's the banking sector to the fore.

UBS (SIX:UBSG) reported earlier Tuesday a 52% slide in profit for the first quarter due to a \$665 million increase in legal provisions relating to U.S. residential mortgage-backed securities.

The Swiss banking giant is also having to try and incorporate Credit Suisse (SIX:CSGN) after it was forced to take it over earlier this month, with its former rival logging asset outflows of more than \$68 billion during the first quarter.

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