

MARKET UPDATE

26/04/2023

Asia FX muted, dollar steady

Most Asian currencies moved in a flat-to-low range on Wednesday as traders hunkered down before a slew of economic cues and central bank meetings in the coming weeks, while the dollar steadied after rising sharply overnight.

Fears of a U.S. economic slowdown, following a string of weak corporate earnings and softer-than-expected consumer confidence data, fed safe haven demand for the dollar and kept appetite for most risk-driven assets limited this week.

This saw the dollar index and dollar index futures jump over 0.5% each on Tuesday, even as U.S. Treasury yields fell, and investors grew uncertain over more interest rate hikes by the Federal Reserve.

The central bank is expected to hike rates by 25 basis points next week, after which markets are pricing in a 68% chance for a pause in June. But the Fed has given no indication that it intends to taper its hawkish stance, with several officials recently calling for higher interest rates.

European stock futures mixed

European stock markets are expected to open mixed Wednesday, with banking worries returning to the fore even after strong earnings from a couple of U.S. tech giants.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.4% lower, the FTSE 100 futures contract in the U.K. fell 0.2%, while CAC 40 futures in France climbed 0.3%.

Swiss lender UBS (SIX:UBSG) and Spain's Santander (BME:SAN), the eurozone's second-biggest lender in terms of market value, disappointed the markets with their quarterly earnings results on Tuesday.

Across the pond, First Republic Bank (NYSE:FRC) stock slumped after revealing \$100 billion in customer withdrawals last month, fuelling concerns for the whole U.S. regional banking sector.

Back in Europe, U.K. lender Standard Chartered (LON:STAN) is scheduled to release its numbers Wednesday, paving the way for earnings from the likes of HSBC (LON:HSBA), Lloyds (LON:LLOY) and NatWest Group (LON:NWG), all of which are due to report earnings in the coming weeks.

Oil Prices Drop, Gold Remains Choppy

Oil prices are slipping again on Tuesday after paring losses over the last couple of sessions. It would appear crude prices have now settled back into their pre-OPEC+ intervention trading ranges, with Brent between \$78-\$88 and WTI \$73-\$83.

The move lower today could even be another push to close the OPEC+ gap from a few weeks ago after falling just short late last week. Calls for \$100 in the aftermath of the OPEC+ decision may have been premature, although, amid such an uncertain outlook, it is still possible if a soft landing is achieved. The second half of the year is poised to be more challenging for the global economy, though, as conditions tighten further, and prior tightening takes hold.

Gold is relatively unchanged today, continuing the consolidation we've been seeing over the last week or so. Higher rate expectations have pushed it back from near-record highs, but traders appear unconvinced by those expectations and reluctant to give up on all-time highs.

The yellow metal has remained choppy around \$2,000, a big psychological level, albeit one that, on this occasion, hasn't been the catalyst for a significant shift in either direction. Instead, traders appear willing to wait for further US data – of which there's plenty to come this week – before making their mind up. In the interim, consolidation may continue.

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