

MARKET UPDATE

09/05/2023

Oil prices ease in cautious trade ahead of U.S. inflation data

Oil prices fell on Tuesday, relinquishing some of the strong gains in the previous two sessions while the market remained cautious ahead of U.S. inflation figures for April, which will be key to the Federal Reserve's next interest rate decision.

The Brent crude price was down 30 cents, or 0.4%, at \$76.71 and U.S. West Texas Intermediate (WTI) crude fell 26 cents, or 0.4%, to trade at \$72.90 at 0340 GMT.

Both contracts had settled up more than 2% in the previous trading session.

"Oil prices have rebounded somewhat in the last two sessions, so now is time for a pause ... with no real positive data coming out," said Suvro Sarkar, lead energy analyst at DBS Bank.

"The market is cautious today ahead of the inflation data.... With net long positions declining sharply over the last two weeks, a lot of traders are already out of the market, so volumes are low."

European stock futures drift, Chinese trade data disappoints

European stock markets are expected to open in a cautious manner Tuesday, as investors digest the latest Chinese trade data ahead of the latest U.S. inflation report and the Bank of England's policy-setting meeting.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% higher, CAC 40 futures in France traded largely flat and the FTSE 100 futures contract in the U.K. rose 0.1%, with the U.K. financial markets returning from a public holiday.

European equities have benefited from generally positive earnings this quarter to date, with results from the banking sector showing a degree of strength, especially given the ongoing turmoil across the pond.

UBS (SIX:UBSG) said on Tuesday that Credit Suisse CEO Ulrich Koerner will join the executive board of the combined bank once it closes its government-prompted takeover of its Swiss rival.

There are more earnings due Tuesday from the likes of Fresenius (ETR:FREG) and Direct Line (LON:DLGD), while Daimler Truck (ETR:DTGGe) confirmed strong growth in first quarter sales as supply chain and demand improve.

That said, attention may well be directed elsewhere, with investors studying the latest trade data from China, a major market for the eurozone's largest exporters.



Gold steady above \$2,000 as markets await U.S. inflation data

Gold prices steadied above key levels on Tuesday, keeping to slim trading ranges as traders awaited more cues on the U.S. economy from key inflation data due this week, while concerns over a banking crisis and a potential recession remained in play.

The yellow metal saw a heavy dose of profit taking on Friday, plummeting from near record highs as a stronger-than-expected labour market report suggested that the Federal Reserve will remain hawkish for longer this year.

While markets expect the bank to likely pause its rate hike cycle, they have also begun scaling back bets on potential rate cuts this year. Any upside in gold is likely to be held back by interest rates remaining higher for longer.

Safe haven demand for gold also retreated in recent sessions. Fears of an imminent U.S. banking crisis eased as a Federal Reserve survey of loan conditions showed on Monday that the recent collapse of several banks had not impacted credit conditions as drastically as feared.

Spot gold rose 0.1% to \$2,022.85 an ounce, while gold futures fell 0.2% to \$2,029.85 an ounce by 21:58 ET (01:58 GMT).

Market focus is now chiefly on U.S. consumer price index inflation data due on Wednesday, which is expected to show that inflation eased slightly in April from the prior month. But inflation is still expected to remain well above the Fed's annual target range, potentially eliciting a hawkish reaction from the central bank to the data.

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