

MARKET UPDATE

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Oil prices climb on positive US fuel demand data

Oil prices bounced back on Thursday after dropping by more than a dollar a barrel the previous day, supported by stronger fuel demand data from the United States, the world's top oil consumer.

Brent crude futures rose by 56 cents, or 0.7%, to \$76.97 a barrel by 0330 GMT, while U.S. crude futures rose 53 cents, also up 0.7%, to \$73.09.

A sharper-than-expected drop in U.S. gasoline inventories boosted prices, reflecting stronger demand for transport fuels in the U.S.

However, investors remained cautious as rising global interest rates continued to drive recessionary fears.

"Brent crude prices have managed to regain some footing lately from previous oversold technical conditions, but progress has somewhat stalled with unresolved (global) banking jitters putting sentiment in check," said Yeap Jun Rong, a market strategist at IG.

Asia FX dips as China inflation disappoints

Most Asian currencies retreated on Thursday as softer-than-expected Chinese data raised more concerns over slowing growth in the region's largest economy, while the dollar was flat following a mixed consumer inflation reading.

The Chinese yuan fell to a two-month low after data showed Chinese consumer inflation barely grew in April, while producer inflation sank to its weakest level since the peak of the COVID-19 pandemic in 2020.

Thursday's reading, coupled with disappointing trade data earlier this week, showed that economic activity in China was struggling to pick up despite stimulus measures and a post-COVID reopening.

This trend bodes poorly for other Asian currencies that have high trade exposure to China, as an economic recovery in the country cools. The South Korean won fell 0.4% after the reading, while the Taiwan dollar lost 0.2%.

The Japanese yen was flat on Thursday after rising sharply in overnight trade after a mixed reading on U.S. consumer inflation data.

This saw the dollar lose some ground in overnight trade, although the greenback was largely flat on Thursday amid uncertainty over the path of U.S. monetary policy.

US debt standoff overshadows G7 finance leaders' meeting

A standoff in Washington over raising the U.S. debt ceiling overshadowed a meeting of Group of Seven (G7) finance leaders' starting on Thursday, heightening U.S. recession fears as central banks seek a soft landing for the global economy.

President Joe Biden piled pressure on Republican lawmakers on Wednesday to move quickly to raise the limit on the government's permitted borrowing from the current \$31.4 trillion or risk throwing the world's biggest economy into recession.

Treasury Secretary Janet Yellen was expected to face questions from her G7 counterparts, meeting in the Japanese city of Niigata, on how Washington intends to prevent turbulence in financial markets, already jittery after the recent failure of three U.S. regional banks.

"A default would threaten the gains that we've worked so hard to make over the past few years in our pandemic recovery. And it would spark a global downturn that would set us back much further," Yellen said in Niigata on Thursday.

The U.S. debt crisis is a headache for Japan, which is this year's G7 chair and the world's biggest holder of U.S. debt.

"We won't go into such specific subjects," Japanese Finance Minister Shunichi Suzuki told reporters on Thursday, when asked what kind of solution Japan wanted from the United States.

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