

MARKET UPDATE

15/05/2023

Dollar slips from near five-week high

The U.S. dollar edged lower in early European trade Monday but remained near a five-week high on inflation concerns, while the Turkish lira retreated on political uncertainty.

At 03:10 ET (07:10 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% lower to 102.420, after climbing to 102.75 for the first time since April 10 earlier in the session.

The Federal Reserve raised interest rates last week for a 10th straight time but hinted that it may be about to pause the most aggressive round of policy tightening in 40 years as it studies the economic data and assesses the impact of the tightening to date.

Consumer prices rose 4.9% in April, a drop from 5% in March, but still far higher than the Fed's 2% target, suggesting inflation remained sticky, while a survey of U.S. consumers' long-term inflation expectations jumped to the highest since 2011.

Fed Governor Michelle Bowman said on Friday that the U.S. central bank will probably need to raise interest rates further if inflation stays high.

Oil falls further ahead of economic data

Oil prices retreated further in Asian trade on Monday after logging four straight weeks of losses amid concerns over slowing economic growth, with focus now turning to more economic data and a slew of Federal Reserve speakers this week.

Crude markets saw scant support as recent data pointed to worsening economic conditions in the U.S. and China - the world's two biggest oil consumers. This pushed up concerns that oil demand will see a much slower-than-expected recovery this year, weighing on prices.

Strength in the dollar, which rebounded from over one-year lows, also kept prices under pressure, as markets dialled back bets that the Fed will trim interest rates this year.

Brent oil futures sank 0.7% to \$73.67 a barrel, while West Texas Intermediate crude futures fell 0.7% to \$69.56 a barrel by 21:19 ET (01:19 GMT). Both contracts fell between 1.8% and 2% over the past week.

Focus this week is on a slew of U.S. and Chinese economic indicators, including industrial production and retail sales data from both countries, to gauge the state of their respective economies.

Asian shares inch up as investors brace for China data, Fed speakers

Asian stocks were cautiously higher on Monday as investors braced for the release of China's industrial and retail data, while awaiting a host of U.S. Federal Reserve officials to speak to vindicate market pricing of rate cuts this year.

The guarded optimism is set to extend to Europe when markets open, with pan-region Euro Stoxx 50 futures up 0.2%. Both S&P 500 futures and Nasdaq futures were mostly flat.

In emerging markets, the Turkish lira touched a two-month low after weekend elections looked headed for a runoff, while the Thai baht rallied almost 1% after Thailand's opposition routed military-allied parties also in weekend polls.

On Monday, MSCI's broadest index of Asia-Pacific shares outside Japan reversed earlier losses to be up 0.5%, driven by a late rebound in Chinese and Hong Kong shares after a steep sell-off the week before.

Hong Kong's Hang Seng index charged 1.2% higher while China's blue chips rose 0.6%. Japan's Nikkei advanced 0.7%, building on the optimism from last week during the earnings season.

China's central bank on Monday held rates on medium-term policy loans steady, although expectations are building that monetary policy easing may be inevitable in coming months to support an economic recovery.

Hong Kong Exchanges & Clearing Ltd (HKEX) on Monday added a new Connect scheme linking markets in the financial hub with the mainland by expanding into onshore interest rate derivatives to help offshore investors in Chinese bonds hedge their exposure.

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