

MARKET UPDATE

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Gold struggles, copper at near 6-mth low

Gold prices hovered near two-month lows on Thursday as markets remained on edge over raising the U.S. debt limit, while copper prices fell further amid concerns over slowing economic growth and a weak outlook for demand.

Bullion prices stayed within a tight trading range - \$1,950- \$1,980 an ounce - seen over the past week, after the yellow metal slumped below the closely watched \$2,000 level.

Focus remained chiefly on negotiations among lawmakers over raising the U.S. spending limit, although neither Democrat nor Republican negotiators offered any cues on when a deal could be reached.

This also comes ahead of a June 1 deadline for a U.S. debt default, which could push the U.S. into recession and have dire consequences for the global economy. Ratings agency Fitch warned of a U.S. ratings downgrade in the event of a default.

But despite the market uncertainty, gold saw little safe haven demand as traders flocked to the dollar. The greenback hit a two-month high on expectations that U.S. interest rates will remain higher for longer, as signalled by the Federal Reserve.

Spot gold rose slightly to \$1,959.09 an ounce, while gold futures fell 0.2% to \$1,959.70 an ounce by 20:54 ET (00:54 GMT). Both instruments were trading close to their lowest levels since early-April.

Oil stable as investors weigh US debt uncertainty

Oil prices were little changed on Thursday as uncertainty over whether the United States will avoid a debt default weighed against the prospect of further OPEC+ production cuts.

Some progress had been made but several issues remained unresolved in U.S. debt ceiling negotiations, House Speaker Kevin McCarthy said Thursday, as the deadline ticked closer to raise the federal government's \$31.4 trillion borrowing limit or risk default.

Negotiators for Democratic President Joe Biden and top congressional Republican Kevin McCarthy reconvened Wednesday at the White House to try to close a deal.

"A cautious lid on the risk environment brought by the U.S. debt ceiling uncertainty has also put oil prices on some wait-and-see in the Asia session," said Yeap Jun Rong, market strategist at IG.

"Coupled with further strength in the U.S. dollar, that has kept oil prices on hold for now, while awaiting a further catalyst to follow through with its recent recovery," Yeap added.

Asia FX weakens amid debt ceiling woes

Most Asian currencies slid on Thursday, while the dollar hit a two-month high as uncertainty over raising the U.S. debt limit and averting a default saw investors avoid risk-driven assets.

Worsening sentiment towards China also weighed on regional currencies, amid reports that the country faces a resurgence in COVID-19 cases, which could peak by late-June.

The Chinese yuan fell 0.2% to a near six-month low, pushing further below the 7 level after a breach last week. Fears of a renewed COVID outbreak added to concerns over slowing economic growth in the country, after a string of weak readings for April.

Potentially worsening ties between Beijing and Washington also pressured the yuan.

Concerns over China spilled over into broader Asian markets, with the Singapore dollar down 0.2% as data confirmed that the island state's economy shrank in the first quarter, largely in part due to slowing Chinese demand.

The Australian dollar shed 0.2%, also coming under pressure from its high trade exposure to China, while the South Korean won dropped 0.5%. The won was also pressured by the Bank of Korea holding interest rates steady for a third straight month, with some traders positioning for a possible rate cut later this year.

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