

MARKET UPDATE

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Asia FX recoups some weekly losses

Most Asian currencies rose on Friday, recovering from steep losses this week, while the dollar steadied below two-month highs as markets awaited more cues on progress towards raising the debt ceiling.

The Japanese yen rose 0.2% but was among the worst-performing Asian currencies this week, down nearly 2% as expectations of a wider gulf in local and U.S. interest rates dented the currency. The yen was also trading just above six-month lows to the dollar.

Softer-than-expected Tokyo inflation data on Friday spurred more expectations that the Bank of Japan will hold off on tightening policy this year, although the reading was still well above the BOJ's 2% annual target.

The Chinese yuan rose 0.3%, rebounding from a near six-month low. But the currency remained well below the key 7 level to the dollar, also receiving little support from the Peoples Bank of China's daily midpoint fixes.

The yuan was battered by concerns over a slowing economic rebound in China, as well as deteriorating ties between Beijing and Washington following a ban on Chinese sales of U.S. chipmaker Micron Technology Inc (NASDAQ:MU).

Broader Asian currencies advanced on Friday but were nursing steep losses for the week as anxiety over a potential U.S. debt default and higher-for-longer interest rates kept currency markets fixated on the dollar.

Oil creeps lower ahead of more cues on OPEC

Oil prices retreated in Asian trade on Friday, extending a sharp drop from the prior session as traders awaited more clarity on the OPEC's plans for future production cuts, while concerns over the U.S. debt ceiling kept markets on edge.

Crude markets suffered steep losses on Thursday, falling nearly 3% and trimming most of their gains this week after Russian Deputy Prime Minister Alexander Novak said he expects no new steps from the Organization of Petroleum Exporting Countries and allies (OPEC+) during a June 4 meeting.

Selling in crude continued even as Novak clarified that the OPEC was still open to more production cuts, following a surprise supply cut in April.

The comments came barely a day after the Saudi Energy Minister warned against shorting oil prices and that speculators would be hurt.



Japan outshines Asian stocks on tech strength

Japanese stocks moved back towards a 33-year high on Friday, outpacing their Asian peers amid increased optimism over chipmaking stocks, while Chinese markets lagged as investors fretted over slowing economic growth and worsening U.S. ties.

Broader Asian stocks also ticked lower in anticipation of more cues on the U.S. debt ceiling and a potential default.

The Nikkei 225 rose 0.6% and was trading just below 33-year highs hit earlier this week, after positive earnings from U.S. chipmaker NVIDIA Corporation (NASDAQ:NVDA) boosted local stocks that are exposed to the firm. Nvidia said increased interest in artificial intelligence will fuel chip demand this year.

The broader TOPIX added 0.2%, also moving back towards 33-year peaks.

Semiconductor testing equipment maker Advantest Corp. (TYO:6857) jumped 5.1% to a record high, while chipmakers Tokyo Electron Ltd. (TYO:8035) and Dainippon Screen Mfg. Co., Ltd. (TYO:7735) surged 6% and 9%, respectively.

Japanese stocks also benefited from a weaker-than-expected inflation print for Tokyo, which could herald more weakness in nationwide inflation and keep the Bank of Japan dovish.

Optimism over Nvidia spilled over into other chip-heavy indexes. The Taiwan Weighted index rose 1.2%, buoyed by gains in TSMC (TW:2330), while South Korea's KOSPI edged 0.2% higher on strength in Samsung Electronics Co Ltd (KS:005930) and SK Hynix Inc (KS:000660).

But on the other hand, China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes fell 0.4% and 0.1%, respectively. The two were set to lose nearly 3% this week as concerns over worsening ties between Washington and Beijing battered sentiment towards Chinese markets.

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