

# MARKET UPDATE

**01/06/2023**

## **Asia FX inches higher on bets of Fed pause**

Most Asian currencies advanced on Thursday, while the dollar inched lower tracking comments from Federal Reserve officials touting a potential pause in the rate hike cycle in June.

Markets were also somewhat encouraged by the U.S. House of Representatives voting in favour of a bill to raise the debt ceiling and avert a U.S. default, with the bill now headed for a final vote in the Senate later this week. This comes ahead of a June 5 deadline for a U.S. default, the prospect of which has kept markets on edge over the past week.

China's yuan rose 0.2%, rebounding from six-month lows as a private survey showed that manufacturing activity in the country grew more than expected through May. The data clashed with an official survey that showed a sustained contraction in China's biggest economic engine, although the divergence could be linked to a difference in scope between the two surveys.

Still, concerns over a slowing economic rebound in China persisted, given that the private survey only showed a marginal improvement in activity. These concerns, coupled with a string of weak daily yuan midpoint fixes by the People's Bank, had battered the Chinese currency in recent weeks.

## **Oil rises on potential U.S. rate hike pause**

Oil prices rose on Thursday, reversing earlier losses, as a potential pause in U.S. interest rate hikes and the debt ceiling bill passing a crucial vote renewed optimism about further fuel demand growth in the world's biggest oil consumer.

Brent crude futures for August rose 32 cents, or 0.44% to \$72.92 a barrel by 0518 GMT, while U.S. West Texas Intermediate crude (WTI) rose 25 cents, or 0.37%, to \$68.34 a barrel.

U.S. Federal Reserve officials on Wednesday pointed towards a potential rate hike "skip" in June that reversed market expectations of an imminent hike that could slow economic growth and weaken oil demand.

Additionally, the U.S. House of Representative's passage of a bill suspending the U.S. government's \$31.4 trillion debt ceiling improved the chances of averting a disastrous government default.



## European stock futures higher

European stock markets are expected to open higher Thursday, helped by progress in the U.S. debt ceiling bill as well as signs of life in the Chinese manufacturing sector.

Data released earlier Thursday indicated Chinese manufacturing activity grew more than expected in May, with the Caixin Manufacturing Purchasing Managers' index coming in at 50.9 in May, more than the forecast 50.3 as well as the prior month's 49.5.

This private survey contrasted with the weak official government data released earlier this week and offered hope of a recovery in this major regional growth engine, which also acts as a major export market for many of Europe's largest companies.

Back in Europe, German retail sales grew 0.8% on the month in April, an improvement on the 2.4% drop the prior month, but this still represented an annual fall of 4.3%.

Manufacturing PMI data for much of Europe are due later in the session and are expected to show a sector still troubled by soaring prices and disrupted supply lines.

However, the main focus Thursday will be the May inflation number for the eurozone.

Figures from a number of individual countries have shown that inflation pressures are easing, and thus there is potential downside to the expected 7.0% annual figure for May.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement

