

MARKET UPDATE

07/06/2023

Asia FX muted as Chinese economic data disappoints

Most Asian currencies were muted on Wednesday as weaker-than-expected economic prints from China and Australia soured sentiment towards the region, while anticipation of an upcoming Federal Reserve meeting also weighed.

The Chinese yuan reversed early gains and traded flat after data showed the country's trade surplus sank to a 13-month low in May, driven chiefly by a surprise tumble in exports. The reading showed that overseas demand for Chinese goods remained weak amid worsening economic conditions across the globe, presenting new headwinds for China as it struggles to recover from three years of COVID disruptions.

The Australian dollar was flat as the country's economy barely grew in the first quarter, amid pressure from high interest rates and inflation.

But the Aussie took some support from comments by Reserve Bank Governor Philip Lowe, who reiterated that local interest rates may need to rise further in order to curb overheated inflation. The RBA had hiked interest rates again on Tuesday, bringing them above 4% for the first time in 12 years.

Most other Asian currencies moved little, given that the prospect of a weak Chinese economy bodes poorly for countries with high exposure to the Asian giant.

The Japanese yen was a clear outperformer for the day, rising 0.3% from near six-month lows as recent losses in the currency spurred speculation that the government could once again intervene in currency markets to support the yen.

Oil pulled lower by weak Chinese data, wipes out OPEC-driven gains

Oil prices fell in Asian trade on Wednesday as weak Chinese trade data spurred more fears of slowing demand in the country, with prices having now reversed all gains made earlier this week on the back of supply cuts by the OPEC.

China's trade surplus sank to a 13-month low in May, driven chiefly by a surprise drop in exports as foreign demand for Chinese goods dried up. Imports also fell, signalling weak economic trends in the world's largest oil importer.

The readings added to recent data that pointed to a slowdown in China's post-COVID economic recovery, which further undermined bets that China will drive oil demand to record highs this year.



US tightens crackdown on crypto with lawsuits against Coinbase, Binance

The top U.S. securities regulator sued cryptocurrency platform Coinbase (NASDAQ:COIN) on Tuesday, the second lawsuit in two days against a major crypto exchange, in a dramatic escalation of a crackdown on the industry and one that could dramatically transform a market that has largely operated outside regulation.

The U.S. Securities and Exchange Commission (SEC) on Monday took aim at Binance, the world's largest cryptocurrency exchange. The SEC accuses Binance and its CEO Changpeng Zhao of operating a "web of deception".

If successful, the lawsuits could transform the crypto market by successfully asserting the SEC's jurisdiction over the industry which for years has argued that tokens do not constitute securities and should not be regulated by the SEC.

"The two cases are different but overlap and point in the same direction: the SEC's increasingly aggressive campaign to bring cryptocurrencies under the jurisdiction of the federal securities laws," said Kevin O'Brien, a partner at Ford O'Brien Landy and a former federal prosecutor, adding, however, that the SEC has not previously taken on such major crypto players.

"If the SEC prevails in either case, the cryptocurrency industry will be transformed."

In its complaint filed in Manhattan federal court, the SEC said Coinbase has since at least 2019 made billions of dollars by operating as a middleman on crypto transactions, while evading disclosure requirements meant to protect investors.

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