

MARKET UPDATE

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Oil steadies as market awaits US Federal Reserve

Oil prices inched up slightly in Asian morning trade on Wednesday as investors awaited the outcome of the U.S. Federal Reserve's June meeting, key economic data from China and government data on U.S. crude stockpiles.

Both benchmarks climbed more than 3% on Tuesday on hopes of rising fuel demand after China's central bank lowered a short-term lending rate.

"It seems that the short-term hot monies (speculators) are hesitant to bid prices higher due to impending key data and events such as China's industrial production, retail sales, and the housing price index for May due tomorrow, as well as today FOMC's latest dot-plot projections," said Kelvin Wong, a senior market analyst at OANDA in Singapore.

Market participants expect the U.S. central bank's Federal Open Market Committee (FOMC) will pause rate hikes amid uncertainty on both the economic outlook and the lagged effects of 10 rate hikes since March 2022.

Asia FX inches higher, dollar near 3-week low

Most Asian currencies rose slightly on Wednesday, while the dollar hovered near three-week lows as soft U.S. inflation reading spurred increased bets that the Fed will pause its rate hike cycle later in the day.

The dollar weakened further in Asian trade after steep losses on Tuesday, as data showed U.S. consumer inflation eased as expected in May. This fuelled increased bets on a Fed pause, and also boosted appetite for risk-driven assets, which weighed on the dollar.

The dollar index and dollar index futures both fell 0.1%, while most Asian currencies logged strong overnight gains.

But further gains in regional currencies were limited, as markets still fretted over any hawkish surprises from the Fed.

Chinese yuan sees some relief, but more rate cuts expected

Expectations of a Fed pause helped the Chinese yuan recover slightly from six-month lows.

But the currency remained under pressure from growing expectations for more rate cuts in China, after the People's Bank of China (PBOC) trimmed a short-term lending rate on Tuesday.

Amazon's cloud unit is considering AMD's new AI chips

Amazon (NASDAQ:AMZN) Web Services, the world's largest cloud computing provider, is considering using new artificial intelligence chips from Advanced Micro Devices (NASDAQ:AMD) Inc, though it has not made a final decision, an AWS executive told Reuters.

The remarks came during an AMD event where the chip company outlined its strategy for the AI market, which is dominated by rival Nvidia (NASDAQ:NVDA) Corp.

Despite AMD disclosing some technical specifications for an AI chip coming later this year that could in some ways beat Nvidia's best current offerings on some metrics, the news sent shares down after AMD did not disclose a flagship customer for the chip.

In interviews with Reuters, AMD Chief Executive Lisa Su outlined an approach to winning over major cloud computing customers by offering a menu of all the pieces needed to build the kinds of systems to power services similar to ChatGPT, but letting customers pick and choose which they want, using industry standard connections.

"We're betting that a lot of people are going to want choice, and they're going to want the ability to customize what they need in their data center," Su said.

While AWS has not made any public commitments to use AMD's new MI300 chips in its cloud services, Dave Brown, vice president of elastic compute cloud at Amazon, said AWS is considering them.

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