

MARKET UPDATE

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Asia FX moves little as markets weigh mixed Fed signals

Most Asian currencies kept to a tight range on Thursday as investors digested mixed signals on U.S. monetary policy, while a market holiday in China kept trading volumes limited.

Federal Reserve Chair Jerome Powell reiterated the bank's hawkish stance when testifying before the House Financial Services Committee of Congress on Wednesday, although he did not directly signal that interest rates will rise in July.

This was also contradicted by other Fed members calling for an extended pause in the central bank's rate hike cycle to observe the effects of recent monetary policy tightening.

The mixed signals weighed on the dollar, with the dollar index and dollar index futures falling slightly in Asian trade after overnight losses.

But Asian currencies took little advantage of weakness in the dollar, with Powell set to testify before the Senate Banking Committee later in the day.

Dollar weakens as Powell's testimony offers little surprise

The dollar languished near a one-month low against a basket of currencies on Thursday, after Federal Reserve Chair Jerome Powell stuck to his usual messaging at his semi-annual testimony, offering little room for surprise.

Sterling was perched near a one-year high ahead of the Bank of England's (BoE) interest rate decision later in the day, with Wednesday's hot inflation report likely to keep policymakers on their toes.

In remarks to lawmakers on Capitol Hill on Wednesday, Powell said further U.S. rate increases are "a pretty good guess" of where the Fed is heading if the economy continues in its current direction. Those comments were in line with what the central bank said at its policy meeting last week.

That sent the greenback down nearly 0.5% against a basket of six major peers in the previous session. The U.S. dollar index last stood at 102.05 in early Asia trade, not far from its recent five-week low of 102.00.

The BoE is set to raise interest rates for a 13th time in a row later on Thursday, a day after inflation data came in higher than expected, though investors are split between a 25-basis-point and 50bp hike.



Bitcoin clears \$30k for first time since April

-- Bitcoin hit a two-month high this week as a string of applications for an exchange-traded fund tracking the world's largest cryptocurrency brewed some optimism over increased institutional interest in the token.

The cryptocurrency surged as much as 14.4% over the past three days, briefly hitting an over two-month high before steadying at \$30,300 by 23:32 ET (03:32 GMT) on Thursday. No. 2 crypto Ethereum rose nearly 6% on Thursday, hitting a near two-month high.

The rally comes amid renewed interest in the token after BlackRock Inc (NYSE:BLK), the world's largest asset manager, applied for an ETF that will directly track Bitcoin. A slew of other institutional investors also subsequently applied for Bitcoin ETFs, including WisdomTree (NYSE:WT), Valkyrie, and Citadel.

Coinbase (NASDAQ:COIN) is set to act as custodian for the Blackrock ETF. Increased institutional buying was one of the biggest catalysts of a 2021 crypto rally, which had pushed Bitcoin to record highs. But a series of high-profile bankruptcies, rising interest rates, and regulatory pressure saw a bulk of institutional money pull out through 2022.

The ETF filings pushed up some hopes of resurgent institutional interest in the crypto industry, as it grapples with a U.S. regulatory crackdown against its biggest players. The Securities and Exchange Commission launched lawsuits against major exchanges Binance and Coinbase, while also levelling allegations of fraud and wash trading against Binance and its founder Changpeng Zhao.

The lawsuits had triggered steep losses in the crypto market, pulling Bitcoin to three-month lows earlier in June. They also triggered a slew of withdrawals from centralized crypto exchanges in the U.S., after Binance warned that it was set to lose support from traditional banking partners.

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