

# MARKET UPDATE

31.7.2023

## Gold prices kept to a tight range as investors await.

Gold prices kept to a tight range on Monday as investors awaited more major cues on the U.S. economy this week, while copper prices were muted ahead of key economic data from major importer China.

The yellow metal had closed flat for the prior week after Federal Reserve hiked interest rates as expected, and said that it will stick to plans for at least one more hike this year.

But data on Friday showed that inflation- particularly the Fed's preferred gauge- eased further in June, which could necessitate a less hawkish stance from the central bank.

Markets are banking on an eventual pause in the Fed's rate hike cycle this year, which is expected to benefit gold. This was also shown by a wide divergence between gold futures and the spot price.

Gold futures expiring in December fell 0.2% on Monday to \$1,996.55 an ounce, while spot gold fell slightly to \$1,958.41 an ounce by 20:26 ET (00:26 GMT).

## Oil prices dip as markets weigh weak China PMIs.

Oil prices fell slightly on Monday after weak business activity data from China pointed to worsening economic conditions in the world's largest oil importer, although the prospect of more stimulus measures in the country kept losses limited.

Prices were sitting on five straight weeks of gains, and were also set for stellar gains in July as signs of tightening global supplies this year invited more long positioning in crude markets.

But this rally now appeared to be on hold, amid continued signs of weak economic conditions in China. Markets were also awaiting more cues on the U.S. economy from nonfarm payrolls data due later in the week.

Brent oil futures fell 0.3% to \$84.14 a barrel, while West Texas Intermediate crude futures fell 0.3% to \$80.35 a barrel by 22:258 ET (02:28 GMT).

China stimulus in focus after weak PMIs

Data on Monday showed that Chinese manufacturing activity shrank for a fourth straight month in July, while broader business activity also deteriorated as the country struggles with a slowing post-COVID economic recovery.

## Asia shares up as China extends rally.

Asian shares looked to end the month on a firm note on Monday in a week littered with major economic releases, central bank meetings and earnings updates from mega caps Amazon and Apple, though rising Japanese bond yields posed a risk.

China surveys were mixed with factory activity just pipping forecasts but services disappointing, though both merely reinforced expectations that Beijing would have to launch larger stimulus at some point.

Chinese blue chips seemed unperturbed and added 1.6%, bringing gains for July to 5.6%.

MSCI's broadest index of Asia-Pacific shares outside Japan climbed 1.1%, having gained almost 6% so far in July to reach a five-month high.

The initial impetus for markets was positive following Friday's U.S. data showing an easing in wage costs and core inflation, which fuelled hopes the Federal Reserve was done tightening.

"The data surprises bolster confidence that global core inflation - ex. China - will fall sharply and set the stage for a developed market central bank policy pause and emerging market easing even if growth remains firm," said Bruce Kasman, head of economic research at JPMorgan (NYSE:JPM).

Figures due this week include the U.S. ISM surveys on manufacturing and services, the July payrolls report and European inflation.

The Bank of England is widely expected to raise rates by at least a quarter point, but markets are more divided on whether the Reserve Bank of Australia will hike or stay on hold.

**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

