MARKET UPDATE

03/07/2023

Asia FX rises as dollar slips

Most Asian currencies firmed on Monday as softer-than-expected U.S. inflation readings pushed up hopes that the Federal Reserve will taper its hawkish stance, with focus also turning to more U.S. economic cues this week.

The U.S. dollar steadied after a drop on Friday, as the personal consumption expenditures price index - the Fed's preferred inflation gauge - read softer than expected for May.

The dollar index and dollar index futures traded sideways in Asian trade after losing about 0.4% each on Friday.

Losses in the dollar benefited most Asian units, although gains were limited following mixed economic readings from the region's biggest economies. Markets are also still positioning for a Fed rate hike later in July.

Oil prices ease on fears of weaker demand

Oil prices fell on Monday as concerns about a global economic slowdown and possible further interest rate hikes from the U.S. Federal Reserve weighed on prices, offsetting forecasts of tighter supplies amid OPEC+ cuts.

Brent crude futures were last down 0.4%, or 27 cents, to $75.14 a barrel by 0630 GMT after settling up 0.8% on Friday. U.S. West Texas Intermediate crude was at $70.36 a barrel, down 0.4% or 28 cents, after closing 1.1% higher in the previous session.

Brent fell for the fourth straight quarter by the end of June while WTI notched a second quarterly drop as the world's top two economies, the U.S. and China, lost speed in the second quarter.

Fears of a further slowdown hurting fuel demand grew after data on Friday showed U.S. inflation still outpacing the central bank's 2% target and stoked expectations it would hike interest rates again.

"Hawkish commentary on rates continues to raise concerns of the demand outlook weighing on prices," National Australia Bank (OTC:NABZY) analysts said in a note.

Higher interest rates could strengthen the greenback, making commodities more expensive for holders of other currencies, and also dampen oil demand.

Economists and analysts have lowered their Brent price forecasts to average at $83.03 a barrel in 2023, in the June Reuters oil poll.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

UBS aims to avoid using $10 billion Credit Suisse backstop

UBS Group AG (SIX:UBSG) is aiming to avoid using a $10 billion backstop for Credit Suisse (SIX:CSGN) amid a backlash, the Financial Times reported on Sunday.

UBS executives are hoping to announce that the bank will not call on the government backstop when it publishes its second-quarter results on Aug. 31, the report added.

UBS and Credit Suisse did not immediately respond to a request for comment.

In June, UBS reached an agreement with the Swiss government under which the government will guarantee up to 9 billion Swiss francs ($9.98 billion) of losses UBS may incur from the sale of its rival's assets beyond 5 billion francs the lender is due to cover itself.

The government's and UBS's priority was to "minimise potential losses and risks so that recourse to the federal guarantee is avoided to the greatest extent possible," the government said.

Valuations of the losses are expected to be made available during the third quarter of 2023, the government said.

Chief executive Sergio Ermotti has said UBS leadership would do everything possible to prevent Swiss taxpayers from bearing the costs of the takeover.