

MARKET UPDATE

04/07/2023

Asia FX creeps higher before more Fed cues

Most Asian currencies rose slightly on Tuesday as markets awaited more cues on U.S. monetary policy this week, while the Australian dollar fell after the Reserve Bank held rates steady, ducking some expectations for a hike.

Most regional currencies staged a mild recovery from recent lows this week, after a softer-than-expected reading on the Federal Reserve's key inflation gauge saw markets question how much further interest rates will rise.

But gains in Asian currencies were limited amid expectations that the Fed will still hike in July, while several more cues on U.S. monetary policy were also due this week.

The dollar moved little in Asian trade, with a U.S. market holiday also offering few cues. The dollar index and dollar index futures both moved less than 0.1% each on Tuesday.

Focus this week is on the minutes of the Fed's June meeting, due on Wednesday, as well as key nonfarm payrolls data, due Friday.

The Chinese yuan added 0.1%, recovering slightly from near seven-month lows hit recently, while the Indian rupee hovered near a four-month high.

European stock futures mixed; U.S. holiday set to limit activity

European stock markets are expected to open largely unchanged Tuesday, with investors searching for cues given a light data calendar and a U.S. holiday.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% higher, while CAC 40 futures in France dropped 0.1% and the FTSE 100 futures contract in the U.K. fell 0.2%.

The major European indices closed lower Monday after the release of disappointing June manufacturing activity data for the eurozone as a whole as persistent policy tightening by the European Central Bank hit hard.

The downturn was broad-based with surveys showing factory activity in all four of the region's biggest economies contracted last month.

There's little data releasing Tuesday, with the exception of German export and import numbers for May. These showed the country's exports fell 0.1% on the month in May, while its imports grew 1.7%, resulting in a falling trade surplus of €14.4 (€1=\$1.0898) billion, down from €16.5B the prior month."



Oil steady as markets weigh supply cuts

Oil prices held steady early on Tuesday as markets weighed supply woes from cuts for August by top exporters Saudi Arabia and Russia against mixed analyst views on economic data that could hint at weak crude demand.

Brent crude futures rose by 43 cents, or 0.58%, at \$75.08 a barrel by 0322 GMT. U.S. West Texas Intermediate crude were at \$70.22 a barrel, up by 43 cents, or 0.62%.

"Fundamentals are not having as much influence on price direction as one would expect. Instead, the uncertain macro-outlook is what the market is focused on," ING analysts said in a client note.

"It is difficult seeing this pattern changing significantly in the short term, though the additional cuts do put a stronger floor in place for Brent at around US\$70/bbl," ING analysts added.

U.S. markets will be closed on Tuesday for the nation's Independence Day holiday. Oil benchmarks had settled down about 1% in the previous session.

Saudi Arabia on Monday said it would extend its voluntary cut of 1 million barrels per day (bpd) from output to August, the kingdom's state news agency reported. Russia will also reduce its oil exports by 500,000 bpd in August, Deputy Prime Minister Alexander Novak said.

The cuts amount to 1.5% of global supply and bring the total pledged by OPEC+ oil producers to 5.16 million bpd as Riyadh and Moscow look to prop up prices. OPEC+ includes members of the Organisation of the Petroleum Exporting Countries and allies.

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