

MARKET UPDATE

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Dollar firms as Fed minutes fuel rate hike views

The dollar edged higher on Thursday after minutes from the U.S. Federal Reserve's latest policy meeting firmed bets for a rate hike this month, while a broad risk-off mood in Asia lent some support to the Japanese yen.

Minutes of the Fed's June meeting released on Wednesday showed that the vast majority of policymakers expect further tightening in U.S. monetary policy, even as they agreed to hold interest rates steady last month.

That sent the dollar slightly higher alongside Treasury yields while stocks slumped, as expectations grew that the Fed will resume its rate-hike campaign this month and that rates would stay higher for longer in order to tame inflation.

"The FOMC minutes seemed hawkish with some committee members favouring a rate hike, though none voted for one at the end," said Alvin Tan, head of Asia FX strategy at RBC Capital Markets.

Asia FX sinks after hawkish Fed minutes, dollar strong

Most Asian currencies fell on Thursday, while the dollar held recent gains as the minutes of the Federal Reserve's June meeting showed that policymakers supported more rate hikes this year.

The Fed minutes showed that almost all members of the central bank supported more rate hikes in the coming months, citing stubborn inflation and an overheated labour market.

The minutes drummed up expectations for a hike in the Fed's late-July meeting, while also pushing investors into the dollar and out of risk-heavy Asian markets.

The dollar index and dollar index futures rose slightly in Asian trade after rising 0.5% overnight, while most Asian currencies weakened further. Focus was also on key nonfarm payrolls data, due on Friday, for more cues on the Fed.

Chinese yuan nears 8-mth low amid trade war, slowdown fears

The Chinese yuan was marginally weaker to the dollar on Thursday after logging steep losses in the prior session. The currency was trading just shy of an eight-month low, having taken little support from several strong daily midpoint fixings by the People's Bank of China.

Oil edges higher as shrinking U.S. stockpiles offset rate hike

Oil prices rose slightly in Asian trade on Thursday as markets weighed signs of a bigger-than-expected draw in U.S. inventories and tighter supplies against fears of rising interest rates.

The minutes of the Federal Reserve's June meeting showed on Wednesday that almost all members of the central bank supported more interest rate hikes in the coming months, likely heralding more pressure on the U.S. economy.

But fuel consumption in the country appears to have picked up amid the travel-heavy summer season. U.S. crude exports have also ramped up to fill the supply hole left by sharp production cuts by the Organization of Petroleum Exporting Countries, chiefly Saudi Arabia.

Brent oil futures rose 0.2% to \$76.73 a barrel, while West Texas Intermediate crude futures rose 0.3% to \$71.98 a barrel by 22:00 ET (02:00 GMT).

U.S. oil inventories seen shrinking for third straight week

In continued signs of tighter oil supplies, data from the American Petroleum Institute showed that U.S. oil inventories shrank nearly 4.4 million barrels in the week to June 30, far more than expectations for a draw of 1.8 million barrels.

The draw was also the biggest decline in inventories since late-May, and heralds a similar trend in official inventory data from the Energy Information Administration, due later on Thursday.

Consistent draws in U.S. inventories have boosted hopes that U.S. oil demand is increasing amid the travel-heavy summer season. But somewhat mixed readings on gasoline stockpiles - which is the top fuel product in the country - have tempered this optimism.

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