MARKET UPDATE

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Gold prices move little as nonfarm payrolls data looms

Gold prices kept to a tight range on Friday, coming under pressure from fears of rising U.S. interest rates as markets awaited more cues from nonfarm payrolls data due later in the day.

The yellow metal fell sharply in the prior session, once again testing the $1,900 an ounce support level after U.S. private payrolls data read stronger-than-expected for June.

The reading pointed to a strong labor market and drummed up concerns that the Fed will remain aggressive in raising interest rates to curb inflation. Such a scenario bodes poorly for non-yielding assets such as gold.

Asia FX muted amid rate hike fears

Most Asian currencies moved little on Friday as markets sought more cues on U.S. interest rate hikes, while the Chinese yuan and Japanese yen were supported by speculation over government intervention in currency markets.

A stronger-than-expected reading on private U.S. payrolls spurred steep losses in Asian currencies on Thursday, while the dollar steadied on increased expectations that the Federal Reserve will keep raising interest rates in the coming months.

The dollar index and dollar index futures fell about 0.1% each in Asian trade, but were still set to gain marginally for the week.

In contrast, most Asian currencies were set for weekly losses on expectations that the gap between risky and low-risk yields will narrow in the coming months.

The Indian rupee was among the worst performers for the week, down 0.7% as clear signals from the Reserve Bank on pausing its rate hike cycle diminished the currency's appeal.

Chinese yuan, Japanese yen buoyed by intervention talk

The Chinese yuan and the Japanese yen both rose slightly on Friday, supported by persistent speculation that Beijing and Tokyo will intervene in currency markets to stem weakness in their respective currencies.

The yuan was also boosted by a series of strong midpoint fixes by the People's Bank of China, which steadied the currency despite a string of weak economic readings from China.

Dollar holds steady as US economy stays resilient

The dollar held tight ranges on Friday as investors awaited a key U.S. jobs report and weighed the prospect of higher-for-longer Federal Reserve interest rates against the economic growth outlook.

The closely watched nonfarm payrolls report is due later on Friday, where expectations are for the U.S. economy to have added 225,000 jobs in June.

The release follows data on Thursday that showed private payrolls surged last month while the number of Americans filing new claims for unemployment benefits increased moderately last week, suggesting the labour market remained on solid ground.

That kept U.S. Treasury yields elevated as bets grew that the Fed has further to go in raising rates to tame inflation, though the dollar traded in a narrow range as markets stayed on guard ahead of the payrolls release.

Against the dollar, the euro rose 0.02% to $1.0894, while the New Zealand dollar was nursing losses from the previous session and edged 0.24% higher to $0.61725.

Sterling gained 0.06% to $1.2748, having risen to a two-week high of $1.2780 on Thursday, as markets bet the Bank of England would raise interest rates to 6.5% early next year, up from a previous expected peak of 6.25%.

"The strong (U.S.) data boosted market expectations for a second FOMC rate hike, which previously wasn't considered as possible," said Carol Kong, a currency strategist at Commonwealth Bank of Australia (OTC:CMWAY), referring to an additional rate hike from the Fed after this month's likely 25-basis-point increase.

"Those data points suggest tonight's payrolls and perhaps the average earnings data (could) beat the consensus estimate again, and if we do get another strong result, that could firm the dollar further."

The dollar index steadied at 103.04, while yields on U.S. Treasuries hovered near their recent peaks. [US/]

The two-year Treasury yield, which typically reflects near-term interest rate expectations, was elevated near 5%, having surged to a 16-year high of 5.12% on Thursday.

+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