

MARKET UPDATE

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Asia FX flat, dollar steadies ahead of NFP.

Most Asian currencies moved in a tight range on Friday, while the dollar steadied after a strong week as markets awaited more economic signals from key U.S. payrolls data due later in the day.

The dollar was headed for a third straight positive week, tracking a bounce in Treasury yields as investors braced for a potentially strong reading on the jobs market.

The dollar index and dollar index futures fell 0.1% each in Asian trade, but were up nearly 1% for the week.

Traders also remained largely risk-averse after Fitch cut the U.S. sovereign rating earlier in the week. This pressured most Asian units, while spurring flows into the dollar.

Nonfarm payrolls awaited for more Fed cues

Markets were focused squarely on nonfarm payrolls data for July, due later on Friday. While analysts expect payrolls to have eased slightly after a substantial drop in June, private payrolls data released earlier in the week heralded a potentially stronger-than-expected official reading.

Oil prices rise on bigger supply cuts.

Oil prices rose on Friday and were set for a sixth straight positive week as major producers Saudi Arabia and Russia extended recent supply cuts, although gains were limited ahead of key U.S. payrolls data.

The world's biggest oil producers said on Thursday that they will push their respective supply cuts until end-December and potentially beyond. Saudi Arabia will maintain its 1 million barrels per day (bpd) cut in production, while Russia will cut oil exports by 300,000 bpd.

The cuts came just before a meeting of the Organization of Petroleum Exporting Countries and allies (OPEC+) on Friday, with the two biggest members of the cartel also flagging potentially deeper cuts to push up oil prices.

Oil prices head for sixth week of gains as supplies tighten

Brent oil futures rose 0.3% to \$85.45 a barrel, while West Texas Intermediate crude futures rose 0.4% to \$81.91 a barrel by 21:39 ET (01:39 GMT). Both contracts were set to rise 0.5% and 1.6% for the week, respectively.

Dollar struggles before payrolls test.

The dollar hung back from a four-week high against major peers on Friday as investors looked ahead to a key jobs report that could influence the path for U.S. interest rates.

Sterling traded slightly higher after recovering knee-jerk losses following the Bank of England's decision to downshift to a quarter point rate hike on Thursday.

The yen hovered near the middle of its trading range this week as traders tried to gauge the Bank of Japan's tolerance for higher yields following last week's surprise policy tweak. [JP/]

Meanwhile, the risk-sensitive Australian dollar strengthened amid a rebound in Chinese stocks and U.S. equity futures.

The U.S. dollar index, which gauges the currency against a basket of six counterparts, edged 0.07% lower to 102.38 in early Asia. On Thursday, it had pushed to the highest since July 7 at 102.84 at one point, but lost steam later in the day with the monthly nonfarm payrolls report looming on Friday.

However, the dollar edged higher to 142.64 yen, aided by the rise in long-term Treasury yields to a nearly nine-month high at 4.198% overnight.

Sterling rose 0.17% to \$1.27305, after dipping as low as \$1.2620 on Thursday for the first time since June 30 after the BoE decision, despite a warning that rates were likely to stay high for some time.

The euro ticked up 0.06% to \$1.09585.

"The FX market is not particularly interested in extending positions, particularly in front of the payrolls report," said Ray Attrill, head of FX strategy at National Australia Bank (OTC:NABZY), noting that the dollar has not extended gains to the degree that might be expected based on the rise in Treasury yields.

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