

MARKET UPDATE

07/08/2023

Asia FX slides as dollar, yields rise ahead of inflation data.

The Most Asian currencies fell on Monday, while the dollar and Treasury yields firmed ahead of key inflation data from the world's largest economies, due later in the week.

While the greenback logged steep losses on Friday, following mixed payrolls data, it firmed in Asian trade as markets hunkered down ahead of U.S. inflation data. Treasury yields also rose on Monday, extending gains after Fitch cut the U.S. sovereign rating last week.

The dollar index and dollar index futures rose 0.1% each.

Strength in the dollar pressured most Asian currencies, as did concerns over a stronger U.S. inflation reading this week. Consumer price index inflation is expected to have increased slightly in July from the prior month, potentially putting more pressure on the Federal Reserve to raise interest rates.

Higher oil prices and robust consumer spending is expected to spur a higher inflation reading for July.

Oil steadies near 4-mth high after supply cuts.

Oil prices traded sideways on Monday, sticking to their highest levels in nearly four months after major producers Saudi Arabia and Russia extended recent supply cuts, with focus now turning to key inflation readings this week.

Crude markets logged a sixth straight week of gains after the Saudi and Russian cuts last week, buoyed by hopes that tightening supplies will offset a potential slowdown in demand this year.

Expectations of more stimulus measures in major oil importer China also aided sentiment, although economic data continued to paint a bleak picture for the Asian giant.

Brent oil futures steadied around \$86.22 a barrel, while West Texas Intermediate crude futures were flat at \$82.78 a barrel by 22:15 ET (02:15 GMT). Both contracts were at their highest levels since mid-April.

Oil aided by supply cuts, OPEC+ meeting offers no surprises

Extended supply reductions by Saudi Arabia and Russia were the biggest source of support for oil markets over the past week, after both countries said they will maintain recent supply cuts until at least end-September.

Gold prices edge higher, copper flat

Gold prices rose slightly on Monday, recovering slightly after steep losses in the past week, while copper prices moved little before a slew of key U.S. and Chinese economic readings in the coming days.

Rising U.S. Treasury yields, driven by concerns over higher interest rates and a U.S. ratings downgrade, weighed on gold prices in recent sessions, as did a recovery in the dollar.

While the yellow metal saw some relief on Friday, following weaker-than-expected nonfarm payrolls data, it still closed the week about 1% lower - its worst performance in over a month.

Spot gold rose 0.1% to \$1,945.03 an ounce, while gold futures expiring in December rose 0.2% to \$1,979.60 an ounce by 20:46 ET (00:46 GMT).

U.S. inflation awaited as yields spike

Metal markets were now squarely focused on U.S. consumer price index inflation data due this Thursday, for more cues on the world's largest economy.

Inflation is expected to have picked up again after a sharp decline in June- a scenario that could push up expectations of more interest rate hikes from the Federal Reserve.

Gold is expected to retreat further on a strong inflation reading, while the dollar is set to appreciate.

The prospect of higher-for-longer U.S. interest rates has weighed heavily on the yellow metal in recent weeks, with traders preferring the dollar even as Fitch downgraded the U.S. sovereign rating.

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