

# MARKET UPDATE

**17/08/2023**

## **Asia FX dips on Fed concerns.**

Most Asian currencies fell on Thursday after the minutes of the Federal Reserve's July meeting presented a hawkish outlook on interest rates, while the Chinese yuan rose amid reports of currency market intervention by the state.

The dollar strengthened against a basket of currencies after the Fed minutes, coming within sight of an over two-month high as traders bet that U.S. interest rates will remain higher for longer, or even potentially rise further this year.

This notion pressured most Asian currencies, as the gap between risky and low-risk yields narrowed. The Japanese yen was among the worst hit, hovering at a nine-month low on Thursday.

Data also showed that Japan logged a surprise trade deficit in July, while the country's exports, particularly to China, contracted for the first time since 2021.

Weak trade data also weighed on the Singapore dollar, with the currency losing 0.2% after the island state's key non-oil exports shrank more than expected in July.

Singapore's trade activity acts as a bellwether for broader Asia, and heralds continued weakness due to slowing demand in China.

## **Gold prices hit 5-mth low as U.S. rate risks boost dollar.**

Gold prices steadied in Asian trade on Thursday and were nursing three days of losses as hawkish signals from the Federal Reserve boosted the dollar and heralded more pain for the yellow metal.

Spot gold slid below the key \$1,900 an ounce level this week and was trading at its lowest level in five months amid pressure from a spike in the dollar and Treasury yields.

The yellow metal saw little safe haven demand despite increasing concerns over a Chinese economic slowdown, with the prospect of higher yields keeping traders positioned largely in the dollar.

Spot gold steadied at \$1,892.62 an ounce - its weakest level in five months, while gold futures fell 0.3% to \$1,921.95 an ounce - a five-week low, by 00:05 ET (04:05 GMT).

Copper prices were muted on Thursday, and were hovering near their weakest levels since late-May as markets continued to fret over worsening economic conditions in China, which could stymie copper demand in the world's largest copper importer.



## Oil prices wobble on jitters over China economy.

Oil prices were choppy on Thursday after falling over the past three sessions, with the undertone grim on worries that slowing growth in China and possible further U.S. interest rate hikes will weaken fuel demand in the world's two biggest economies.

Brent crude futures were up 8 cents, or 0.1%, at \$83.53 a barrel by 0245 GMT, after initially falling 0.5%. U.S. West Texas Intermediate crude (WTI) was flat at \$79.38.

"China's economic concerns and broad risk-off sentiment on Wall Street pressed on the oil markets, with a strong USD adding to the downside pressure at the same time," said Tina Teng, an analyst at CMC Markets.

Traders will closely watch Chinese economic data and government policy moves, in addition to U.S. oil inventory data as oil producers in the country could start increasing output to gain market share amid production cuts by the OPEC+ group, Teng said.

Missed payments on investment products by a leading Chinese trust firm and a fall in home prices have added to worries that China's deepening property sector crisis is stifling what little momentum the economy has left.

China's central bank unexpectedly cut key policy rates for the second time in three months this week but analysts worry it may not be enough to arrest the economy's downward spiral.

Minutes of the U.S. Federal Reserve's July meeting released on Wednesday are also weighing on oil prices, as they showed that the central bank's officials did not give strong indications about pausing rate hikes, as they continued to prioritise the battle against inflation.

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