

MARKET UPDATE

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Asia FX dips, dollar at over 2-mth high.

Most Asian currencies fell on Friday, while the dollar surged to two-month peaks as markets hunkered down ahead of more signals on monetary policy from the Jackson Hole Symposium.

The greenback saw strong overnight gains, while Treasury yields also moved back towards multi-decade highs as data showed continued resilience in the U.S. jobs market.

Focus is now chiefly on an address by Federal Reserve Chair Jerome Powell at Jackson Hole, with markets fearing any potentially hawkish signals from the Chair, given that U.S. inflation remains sticky while the labor market is strong.

The dollar index and dollar index futures both rose 0.2% each in Asian trade, and were sitting at their strongest levels since early-June. While the greenback saw some consolidation this week, following weak business activity readings, it was still set to rise for a sixth straight week of gains.

Asian currencies fall in face of higher U.S. rates

The prospect of higher U.S. interest rates bodes poorly for Asian currencies, as the gap between risky and low-risk yields narrows. Most regional units retreated on that notion.

Gold prices weaken but hold \$1,900 level.

Gold prices fell slightly on Friday as traders largely favored the dollar ahead of more signals on U.S. monetary policy from the Jackson Hole Symposium, although signs of weakening growth still kept gold above key levels.

Gold was also set for its first positive week in five, as it recovered from five-month lows hit earlier in August. Despite Friday's losses, spot prices also retained the closely-watched \$1,900 per ounce level.

Still, the outlook for the yellow metal remained muddled by the prospect of higher U.S. interest rates. The dollar stood at an over two-month high on Friday, while Treasury yields rose back towards multi-decade highs.

Two Federal Reserve officials also said they supported the recent spike in bond yields, stating that it helped further cool the U.S. economy and runaway inflation.

Spot gold fell 0.1% to \$1,914.08 an ounce, while gold futures expiring in December fell 0.3% to \$1,941.95 an ounce by 00:30 ET (04:30 GMT).

Oil set for 2nd weekly fall on firm dollar.

Oil rose but headed for a second week of decline on Friday, as the dollar firmed before a speech by Federal Reserve Chair Jerome Powell while concerns over tight supply eased.

Brent crude rose 30 cents, or 0.4%, to \$83.66 a barrel by 0434 GMT, while U.S. West Texas Intermediate crude was up 31 cents, also 0.4%, at \$79.36 a barrel.

Crude prices are set to fall between 1.5%-2.5% for the week, a second consecutive week of decline.

"No doubt the Fed's policy outlook will be the key driving force for markets ahead," said Yeap Jun Rong, market analyst at IG.

"With fresh updates on U.S. inflation and labour market data after the previous FOMC meeting, focus will be on what factors the Fed Chair will have his attention on," he said.

Investor caution ahead of Powell's remarks at the Jackson Hole Symposium lifted the safe-haven dollar to a 10-week high, its biggest rise in a month, as markets waited for word on how long rates would stay elevated.

A strong dollar makes oil more expensive for holders of other currencies, denting demand.

On the supply side, talks between Turkey and Iraq's semi-autonomous Kurdistan regional government on northern Iraqi crude oil exports are still going on after officials failed to reach an agreement to restart oil exports earlier this week.

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