

MARKET UPDATE

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Asia FX flat as markets weigh Fed outlook.

Most Asian currencies moved little on Monday as markets weighed hawkish yet somewhat reiterative comments on monetary policy from the Federal Reserve, while the dollar retained recent gains and came close to a three-month high.

Fed Chair Jerome Powell on Friday warned that U.S. interest rates could still rise further to curb sticky inflation, reiterating a similar warning he had offered during the Fed's last meeting.

His comments saw the dollar appreciate sharply against a basket of currencies, while U.S. Treasury yields also shot up. Most Asian units had retreated after his comments and were nursing steep losses for the prior week.

The dollar steadied in Asian trade, with the dollar index and dollar index futures both stocking close to their strongest levels since early-June.

Powell also reiterated the bank's "higher for longer" stance on interest rates, indicating continued support for the greenback.

Oil inches up after China moves to support economy.

Oil prices ticked higher on Monday after China took steps to support its flagging economy, though investors remained worried about the pace of growth as well as further U.S. interest rate hikes that could dampen fuel demand.

Brent crude rose 19 cents, or 0.2%, to \$84.67 a barrel by 0627 GMT, while U.S. West Texas Intermediate crude was at \$80.09 a barrel, up 26 cents, or 0.3%.

Brent and WTI posted a second week of losses on Friday after Fed Chair Jerome Powell said the U.S. central bank may need to raise rates further to cool still-too-high inflation.

Oil benefited from a better tone on the opening, IG market analyst Tony Sycamore said, after China halved stamp duty on stock trading effective Monday in the latest attempt to boost struggling markets.

"Unfortunately, after last week's modest (Chinese central bank interest) rate cut, the announcements above amount to another piecemeal measure that won't alter investor gloom towards China," said Tony Sycamore, a market analyst at IG.

China's manufacturing purchasing managers' index (PMI), due later this week, is likely to reveal more dour economic news around the world's second-biggest economy.

The dollar eased from a 12-week peak on Monday.

The dollar eased from a 12-week peak on Monday as traders weighed the U.S. monetary path after Fed Chair Jerome Powell left open the possibility of further interest rate increases, while the yen hovered close to its lowest in over nine months.

In an eagerly awaited speech at the annual Jackson Hole Economic Policy Symposium, Powell promised to move with care at upcoming meetings as he noted both progress made on easing price pressures as well as risks from the surprising strength of the U.S. economy.

"We will proceed carefully as we decide whether to tighten further or, instead, to hold the policy rate constant and await further data," Powell said on Friday.

"It is the Fed's job to bring inflation down to our 2% goal, and we will do so."

The dollar index, which measures the U.S. currency against six rivals, eased 0.106% at 104.05, but remained close to the 12-week high of 104.44 it touched on Friday. The index is up over 2% in August and set to snap a two-month losing streak.

Markets anticipate an 80% chance of the Fed standing pat next month, the CME FedWatch tool showed, but the probability of a 25 basis point hike in November is now at 48% versus 33% a week earlier.

A series of strong U.S. economic data releases has helped ease worries of a recession but with inflation still above the Fed's target, some investors are worried that the U.S. central banks will keep interest rates at elevated levels for longer.

With the Fed highlighting the importance of the upcoming U.S. economic data, investors' focus this week will firmly be on reports on payrolls, core inflation and consumer spending.

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