MARKET UPDATE

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Dollar edges lower ahead of hefty data dump.

The U.S. dollar edged lower in early European trade Tuesday, retreating from near three-month highs ahead of the release of a slew of key economic data this week.

At 03:10 ET (07:10 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% lower at 103.907, after slipping 0.2% on Monday.

Dollar slips ahead of data dump

Traders appear to have decided to book some gains at the start of a week that includes the release of several key economic data points, culminating on Friday with the widely-watched monthly employment report.

U.S. consumer confidence data are due later on Tuesday, while a revised reading on second-quarter gross domestic product is due on Wednesday. Readings on personal consumption expenditures, the Federal Reserve’s preferred inflation gauge, are due on Thursday, while August nonfarm payrolls are set to close out the week.

Any signs of resilience in the U.S. economy, particularly regarding inflation and employment, will provide the Fed with more impetus to keep raising interest rates.

European shares rise at open.

European shares opened higher on Tuesday, with mining stocks leading gains tracking strength in metal prices, while NN (NASDAQ:NNBR) Group soared after reporting first-half results.

European miners added 1.7% as copper prices rose on a softer dollar and policy support from top consumer China.

NN Group advanced 8.4% after the Dutch insurer said its capital position had improved in the first six months of 2023.

Real-estate stocks jumped 1.7% in early trade.

UK's FTSE 100 rose 1.3% as London investors returned after a public holiday on Monday. Bunzl (OTC:BZLFY) advanced 3.5% after the British business supplies distributor hiked its annual adjusted operating profit forecast.

Telecom Italia (BIT:TLIT) added 2.3% after Milan approved two decrees providing for the economy ministry to take a stake of up to 20% in the phone group's landline grid.

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Oil slips as demand worries outweigh supply concerns.

Oil prices slipped on Tuesday as worries that further possible U.S. interest rate hikes could pull down demand outweighed concerns that a tropical storm off the U.S. Gulf Coast may impact supply.

Brent crude was down 19 cents, or 0.2%, at $84.23 a barrel by 0640 GMT, while U.S. West Texas Intermediate crude shed 24 cents, or 0.3%, to $79.86.

Investors await key U.S. economic data later this week that will help determine the path of interest rates this year and next. Federal Reserve Chair Jerome Powell on Friday said the U.S. central bank may need to raise rates further to cool stubborn inflation.

Markets anticipate an 80% chance the Fed standing pat next month, Refinitiv's FedWatch tool showed, but the probability of a rate hike in November is now seen at roughly 56%. [FEDWATCH]

"It may be difficult for oil prices to maintain the strong bull trend (seen) in July at this stage. The U.S. and European economies will face downward pressure in the fourth quarter until interest rates peak," said CMC Markets (LON:CMCX) analyst Leon Li.

"So there might be a concern about demand, which puts pressure on oil prices. And China's economy still hasn't seen a significant improvement... Oil prices may remain volatile at this stage, and further increases in the future may require a rebound in Chinese data."

China's economic recovery has faltered on the back of a worsening property slump, weak consumer spending and tumbling credit growth, prompting Beijing to cut key policy rates to shore up activity in the world's second-largest economy and oil consumer.

While prices since the start of the third quarter are up about 12% and 13% for Brent and WTI, respectively, following production cuts from OPEC+, the outlook for China's economy continues to remain a concern, said analysts at National Australia Bank (OTC:NABZY) in a Tuesday note.

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