

# MARKET UPDATE

**31/08/2023**

## **Dollar stabilizes ahead of PCE inflation data.**

The U.S. dollar stabilized in early European trade Thursday, after hefty losses this week as signs of a cooling U.S. economy pointed to limited headroom for the Federal Reserve to keep raising interest rates.

At 03:10 ET (07:10 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% higher at 103.162, after dropping nearly 1% so far this week.

Dollar weakened on soft employment data

The greenback has weakened this week, pulling back from a near three-month high, on indications of cooling spending and hiring in the U.S., prompting traders to pare bets for further interest rate hikes by the Federal Reserve this year.

The focus is now squarely on personal consumption expenditures and nonfarm payrolls data, due later in the session and then on Friday, for more cues on the U.S. economy and monetary policy.

That said, the dollar is still on course for gains of around 1% in August, fuelled by an expectation that interest rates linger longer at elevated levels.

## **Oil dips as China factory activity shrinks.**

Oil prices eased on Thursday after data showed China's manufacturing activity shrank for the fifth month in a row, and as investors cautiously awaited a U.S. personal consumption expenditure report later in the day for any clues on the interest rate outlook.

Brent crude futures for October, which expire on Thursday, dipped 9 cents, or 0.1%, at \$85.77 per barrel by 0630 GMT. The more active November contract was down 10 cents, or 0.1%, at \$85.14.

U.S. West Texas Intermediate crude futures for October eased 6 cents, or 0.1%, at \$81.57.

China's manufacturing activity again in August, an official factory survey showed on Thursday, fuelling concerns around weakness in the world's second-biggest economy.

The official purchasing managers' index (PMI) rose to 49.7 from 49.3 in July, according to the National Bureau of Statistics, but remained below the 50-point level demarcating contraction from expansion.



## European shares open higher as UBS lifts financials.

European shares opened higher on Thursday as financials got a lift from Swiss lender UBS's decision to absorb Credit Suisse's domestic bank, while investors brace for a barrage of key economic data due later in the day.

By 0710 GMT, the pan-European STOXX 600 edged 0.1% higher, but lost more than 2% so far this month.

Shares of UBS Group gained 6.3%, hitting their highest level since late-2008, after the bank also said it was increasing its ambitions for cost savings to more than \$10 billion across the group.

The broader financial services index added 1.4%.

On investors' radar would be a preliminary reading of the euro zone inflation, German unemployment and the U.S. inflation print, with policy meetings from the Federal Reserve and the European Central Bank due next month.

Preliminary EU-harmonised official data showed French inflation accelerated more than expected in August.

Among other individual stocks, Pernod Ricard (EPA:PERP) slipped 4.1% after the owner of Mumm champagne and Absolut vodka reported full-year results.

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