

MARKET UPDATE

01/09/2023

Asia FX muted, dollar steadies ahead of nonfarm payrolls.

Most Asian currencies moved in a flat-to-low range on Friday, while the dollar steadied after an overnight recovery as markets awaited key U.S. nonfarm payrolls data due later in the day.

The dollar rebounded from a three-week low on Thursday after data showed that personal spending grew much more than expected in July, pointing to continued upside for U.S. inflation.

But the greenback was still set to snap a six-week gaining streak, as a batch of weak economic readings fuelled bets that the Federal Reserve will keep rates on hold in September.

Overnight strength in the dollar weighed on most Asian currencies, while traders also shied away from risk-driven assets before the nonfarm payrolls reading. Any signs of strength in the labor market gives the Fed more impetus and headroom to keep raising interest rates, which bodes poorly for Asian markets.

Gold prices steady ahead of payrolls report.

Gold prices moved little on Friday, steadying near three-week highs as markets awaited more cues on U.S. monetary policy from nonfarm payrolls data due later in the day, while copper prices rose on positive Chinese factory data.

The yellow metal had a strong run-up this week as a string of weak U.S. economic readings spurred bets that the Federal Reserve will keep rates on hold in September, which in turn dented the dollar.

But the greenback rebounded on Thursday after data showed personal consumption expenditures- the Fed's preferred inflation gauge- remained sticky in July, while personal spending grew more than expected. This saw gold consolidate some weekly gains.

Spot gold steadied at \$1,940.14 an ounce, while gold futures expiring in December were flat at \$1,966.55 an ounce by 00:59 ET (04:59 GMT). Both instruments were still trading up between 1% and 3% for the week.



Oil steadies at 3-week high as OPEC bets offset economic jitters.

Oil prices steadied at three-week highs in Asian trade on Friday as the prospect of tighter supplies, stemming from deeper Saudi and Russian production cuts, largely offset concerns over slowing economic growth.

Russian Deputy Prime Minister Alexander Novak said on Thursday that Moscow had reached a new deal with its peers in the Organization of Petroleum Exporting Countries and allies (OPEC+) to further cut supplies and will outline more reductions in production next week.

The reductions will likely add to ongoing supply cuts by Russia and Saudi Arabia, presenting a tighter supply outlook for the rest of the year, which is expected to boost prices. This notion helped oil prices power past a string of weak economic signals from the U.S. and China this week.

Brent oil futures steadied at \$86.81 a barrel, while West Texas Intermediate crude futures were flat at \$83.62 a barrel by 20:27 ET (00:27 GMT). Both contracts were up between 2.9% to 5% this week, with WTI in particular also benefiting from a tighter outlook for U.S. supplies. Data this week showed a substantially bigger-than-expected draw in U.S. inventories before the Labor Day Weekend, which marks peak U.S. summer demand.

Relative weakness in the dollar, which had tumbled to a three-week low earlier in the week, also helped oil prices push higher, although the greenback found its footing on Thursday following a stronger-than-expected inflation reading.

Markets are now awaiting more cues on the U.S. economy and interest rates, while economic signals from China are also on tap.

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