

MARKET UPDATE

08/09/2023

Asia FX muted, Chinese yuan hits 2008 low.

Most Asian currencies moved little on Friday as weak data from Japan ramped up concerns over slowing global economic growth, while the Chinese yuan slid to an over 15-year low against the dollar on renewed concerns over Sino-U.S. relations.

The yuan fell 0.2% to 7.3443, its weakest level against the dollar since February 2008. The currency was hit with a wave of selling pressure this week as worsening rhetoric with the U.S. added to concerns over a Chinese economic slowdown.

Beijing reportedly barred government officials from using Apple Inc's (NASDAQ:AAPL) iPhone for official purposes, with the move coming amid calls from U.S. officials for a blanket ban of tech exports to China.

The moves also came as economic data from China continued to paint a bleak picture of the world's second-largest economy, driving up concerns over a sluggish post-COVID recovery in the country.

Oil prices fall further as supply-driven rally cools.

Consolidation in oil markets continued in Asian trade on Friday, with prices falling further below 10-month peaks as a mix of profit taking, strength in the dollar and fears of an economic slowdown in major consumers weighed.

Crude prices retreated on Thursday, shrugging off a positive U.S. inventory report and strong Chinese import figures. Analysts attributed the move to some profit taking after crude rallied over 7% in the past 10 sessions.

But strength in the dollar, which jumped to a near six-month peak on Thursday, appeared to have taken some wind out of the crude rally, especially as signs of resilience in U.S. inflation and the labor market fed concerns over rising interest rates in the country.

While recent data also showed that U.S. inventories shrank more than expected in the week to September 1, analysts questioned whether strong demand would persist in the coming weeks, especially as the travel-heavy summer season comes to a close.

Saudi, Russian supply cuts put crude on course for weekly gain

But both contracts were still set to gain over 1% each this week, buoyed by a tighter supply outlook after major producers Saudi Arabia and Russia flagged bigger-than-expected production cuts this week.

Gold prices rise as dollar retreats.

Gold prices rose slightly from a 10-day low on Friday, taking some relief as the dollar retreated from a near six-month high, while weak data from Japan and fears of worsening U.S.-China tensions also drove some safe haven demand for the yellow metal.

But gold prices were still headed for a weekly loss, coming under pressure from renewed concerns over rising interest rates after strong U.S. labor market and inflation readings this week.

A spike in the dollar and Treasury yields dented gold through the week, although some profit taking in the greenback benefited bullion prices on Friday. The dollar fell nearly 0.2% against a basket of currencies, while 10-year Treasury yields sank 0.8%.

Spot gold rose 0.3% to \$1,925.04 an ounce, while gold futures expiring in December rose 0.3% to \$1,948.95 an ounce by 01:08 ET (05:08 GMT). Both instruments were down around 0.7% for the week.

Worsening rhetoric between Washington and Beijing, especially after reports suggested that China asked government officials to stop using Apple's iPhone, spurred some safe haven positioning in gold.

Markets feared more disruptions in global trade stemming from a renewed Sino-U.S. trade war, as some U.S. lawmakers also called for a blanket ban on tech exports to China.

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