

# MARKET UPDATE

**11/09/2023**

## **Gold prices rise as dollar retreats.**

Gold prices rose on Monday, taking some relief from a drop in the dollar ahead of key inflation data due this week, while copper prices rose sharply as Chinese inflation data showed some signs of improvement.

The yellow metal was nursing a steep loss from last week, as concerns over sticky inflation and higher-for-longer U.S. rates pushed the dollar to a near six-month high. The greenback saw some profit taking on Monday.

Focus is now squarely on U.S. consumer inflation data for August, due on Wednesday. The reading is expected to have increased from the prior month, giving the Federal Reserve more impetus to keep interest rates higher for longer.

U.S. inflation, Fed meeting in focus

A hotter U.S. inflation reading could set up gold prices and metal markets for more losses, especially with a Federal Reserve meeting on tap next week. Analysts expect consumer price index inflation to have risen 0.6% in August from the prior month, accelerating from the 0.2% gain seen in July.

While the Fed is widely expected to keep rates on hold in September, any more signs of sticky inflation could push the bank into raising interest rates further this year. U.S. rates are already at their highest levels in over two decades.

## **Asia FX rises with US inflation in sight.**

Most Asian currencies rose on Monday, recovering a measure of recent losses as the dollar fell sharply from a near six-month peak, while the Japanese yen surged as Bank of Japan head Kazuo Ueda flagged a potential pivot away from negative interest rates.

Positive inflation data from China also aided broader sentiment, as data released over the weekend showed some improvement in Asia's largest economy.

Focus this week is squarely on U.S. inflation data, due on Wednesday, for more cues on monetary policy and the path of interest rates. The reading is also due just a week before a Federal Reserve meeting, where the bank is set to keep interest rates on hold.

The Chinese yuan jumped 0.4%, while the South Korean won added 0.2%. Optimism over China saw the Australian dollar jump 0.6%, while the Indian rupee added 0.2%. Saudi, Russian supply cuts put crude on course for weekly gain

## Oil prices slip from near 10-month high.

Oil prices fell from a near 10-month high on Monday, seeing a measure of profit taking after a stellar rally over the past month, although bets on tightening supplies still kept Brent above key levels.

Markets turned cautious before key U.S. inflation data due later this week, which is largely expected to factor into interest rates. A Federal Reserve meeting is also on tap later in September.

Oil prices saw a strong run-up last week after Saudi Arabia and Russia announced deeper-than-expected supply cuts for the remainder of the year, spurring bets that market tightness will help offset any potential demand headwinds from rising interest rates.

But prices now appeared to have paused amid some profit taking, while uncertainty over interest rates and fears of a potential drop-off in U.S. demand also kept markets uncertain.

Brent oil futures fell 0.5% to \$90.25 a barrel, while West Texas Intermediate crude futures fell 0.8% to \$86.85 a barrel by 20:47 ET (00:47 GMT).

IEA, OPEC reports on tap this week

Focus this week is on monthly reports from the Organization of Petroleum Exporting Countries (OPEC) and the International Energy Agency (IEA) for their respective forecasts for oil markets.

Both groups expect tighter supplies to lift oil prices this year, and have also reiterated that crude demand is expected to remain relatively strong thanks to a recovery in China.

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