

# MARKET UPDATE

**12/09/2023**

## **Asia FX moves little, dollar steady.**

Most Asian currencies moved little on Tuesday, while the dollar steadied close to a six-month peak as investors hunkered down before data showing a potential rise in U.S. inflation.

Markets were also holding out for more economic cues from China, as recent data showed some improvement in inflation and loan activity through August. But the overall outlook for the Chinese economy still deteriorated, with a Reuters poll now forecasting 2023 GDP growth of 5%- in line with China's official forecast, but lower than forecasts from investment banks.

The yuan remained resilient through this, with the Chinese currency rebounding from a near 10-month low this week as the People's Bank rolled out a series of strong daily midpoints. The bank was also seen intervening in currency markets to buoy the yuan.

Uncertainty over China kept the Australian dollar trading in a tight range on Tuesday, while a private survey also showed that Australian consumer sentiment deteriorated further in early-September.

Other China-exposed currencies moved little, with the South Korean won and Taiwan dollar both trading less than 0.1% in either direction.

The Indian rupee fell slightly after rebounding from near record lows on Monday. Markets were also awaiting consumer inflation readings from the country, which are expected to show continued resilience in prices through August.

## **Gold prices steady.**

Gold prices moved little on Tuesday as the dollar arrested recent losses before key U.S. inflation data due later this week, while copper prices held on to recent gains on hopes that the worst had passed for China's economy.

Bullion prices found some relief in recent sessions as the dollar retreated from a near six-month peak on some profit taking. But the greenback steadied in Asian trade on Tuesday, remaining within sight of recent highs.

The outlook for U.S. inflation and interest rates remained high, pointing to more pressure on gold prices in the coming months. This trade had also battered gold through the past year, as rising interest rates pushed up the opportunity cost of investing in bullion.

## European stock futures steady.

European stock markets are expected to open in a steady fashion Tuesday, with investors digesting U.K. jobs and Spanish inflation data ahead of the latest policy-setting meeting by the European Central Bank later in the week.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% higher, CAC 40 futures in France climbed 0.2% and the FTSE 100 futures contract in the U.K. traded largely unchanged.

U.K. wage pressures remain severe

Data released earlier Tuesday showed that the U.K. unemployment rate rose to 4.3% in July, from 4.2% the previous month, while the August claimant count rose just 900 in August.

However, despite these signs of a weakening of the U.K. labor market, average earnings still rose 7.8%, suggesting the Bank of England still has to contend with wage-based inflationary pressures when it meets next week.

BOE policymaker Catherine Mann warned late Monday that it's too soon to stop raising rates, and the central bank is widely expected to hike by another 24 basis points.

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