

MARKET UPDATE

14/09/2023

Asia FX muted as dollar drifts lower.

Most Asian currencies kept to a tight range on Thursday, while the dollar edged lower as markets weighed stronger-than-expected inflation data against expectations that the Federal Reserve will keep rates unchanged next week.

Data on Wednesday showed that U.S. consumer inflation grew slightly more than expected in August, amid rising fuel costs and steady consumer spending.

But the reading was still insufficient in convincing markets that the Fed will hike rates next week, with general consensus remaining for a pause.

The dollar strengthened slightly after the data, while Treasury yields settled lower in overnight trade. This presented some pressure on Asian markets, although not to the extent that traders had feared in the wake of a strong inflation reading.

The dollar index and dollar index futures fell 0.1% each in Asian trade. Strength in the euro, before a European Central Bank meeting later in the day, also weighed on the greenback.

In Asia, the Chinese yuan fell 0.1%, but remained well above a recent 10-month low as the People's Bank of China (PBOC) buoyed the currency with a series of strong daily midpoint fixes.

Gold prices steady at 3-week low.

Gold prices moved little in Asian trade on Thursday, steadying near three-week lows and remaining under pressure from the dollar as data showed a bigger-than-expected increase in U.S. inflation.

The yellow metal held its ground despite Wednesday's strong reading on U.S. consumer inflation, as markets bet that the Federal Reserve will still keep rates on hold next week.

But whether gold prices could still hold the \$1,900 an ounce level remained in question, given that U.S. interest rates are likely to remain higher for longer. The dollar also remained steady below a near six-month high, limiting any major gains in gold.

Spot gold rose 0.1% to \$1,910.09 an ounce, while gold futures expiring in December fell 0.1% to \$1,931.25 an ounce by 0:22 ET (04:22 GMT). Both instruments were close to their weakest levels since late-August.

Oil rebounds as markets refocus on supply.

Oil prices rebounded on Thursday as markets turned their attention back to a tighter crude supply outlook for the rest of 2023 with demand set to stay robust through to next year.

Brent crude futures rose 36 cents, or 0.4%, to \$92.24 a barrel at 0300 GMT. U.S. West Texas Intermediate crude (WTI) climbed 35 cents, or 0.4%, to \$88.87.

Fears of deficient supplies are underpinning oil prices as producers "adamantly stick to restricted production", said Priyanka Sachdeva, senior market analyst at Phillip Nova.

Saudi Arabia and Russia's extension of oil output cuts to the end of 2023 will mean a substantial market deficit through the fourth quarter, the International Energy Agency (IEA) said on Wednesday, as it largely stuck by its estimates for demand growth this year and next.

The lack of cuts at the start of 2024 would shift the balance to a surplus, the agency said, though it added that stocks will be at uncomfortably low levels.

The Organization of the Petroleum Exporting Countries (OPEC) on Tuesday retained its forecasts for robust growth in global oil demand in 2023 and 2024.

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