

MARKET UPDATE

15/09/2023

Asia FX rises on China optimism.

Most Asian currencies rose on Friday as more stimulus measures and positive economic readings from China helped boost risk appetite, while the dollar traded near six-month highs.

China announced another cut to its reserve requirements for local banks, unlocking more liquidity to support a slowing economic recovery. Industrial production and retail sales data also read higher than expected for August, indicating some resilience in the economy.

The yuan rose 0.3%, also taking support from a stronger daily midpoint fix by the People's Bank. The central bank kept its medium-term lending rates steady on Friday, signalling more support for the yuan.

But the outlook for the Chinese currency still remained bleak, given that increased local liquidity is likely to drive renewed weakness in the yuan. Weak fixed asset investment and home prices data also showed that large portions of Asia's largest economy- particularly the embattled property market- were still struggling.

Gold rises with Fed pause in sight.

Gold prices rose in Asian trade on Friday as markets bet that the Federal Reserve will keep rates on hold despite recent increases in inflation, while copper prices surged on more stimulus measures from major importer China.

Data released this week showed that U.S. consumer and producer inflation rose more than expected through August. But the increases were insufficient in convincing traders that the Federal Reserve will hike rates further when it meets next week.

While gold benefited from this notion, further gains in the yellow metal were held back by a dollar rally, as the greenback scaled six-month peaks on Thursday.

Spot gold rose 0.3% to \$1,916.80 an ounce, while gold futures expiring in December rose 0.3% to \$1,938.35 an ounce by 00:48 ET (04:48 GMT). Both instruments were still set to close the week marginally lower.

Spot gold tests \$1,900 support as dollar surges

Despite logging some gains in recent sessions, gold prices still remained under pressure from fears of higher U.S. interest rates. Spot gold prices came close to breaking below the \$1,900 an ounce level on Thursday, before recovering its losses.

Oil set to rise for a third week.

Oil prices rose on Friday and are set for a third weekly gain, as better-than-expected Chinese economic data and reports of record oil consumption bolstered the view that demand in the world's second-largest crude consumer will continue to surge.

Brent crude futures rose 65 cents, or 0.7%, to \$94.35 as of 0630 GMT, while the U.S. West Texas Intermediate crude (WTI) was up 67 cents, also 0.7%, at \$90.83.

Both benchmarks were up about 4% from a week ago.

China's industrial output and retail sales grew at a faster-than-expected rate in August, suggesting the world's second-largest economy is starting to stabilise from a months-long stumble.

Data from the National Bureau released on Friday also showed oil refinery processing rose to a record 64.69 million tonnes in August, up 19.6% from a year earlier and equal to 15.23 million barrels per day (bpd).

Refining throughput surged as Chinese processors kept run rates high to meet summer travel demand and capitalise on strengthening margins for exporting to Asian consumers.

"Betting on oil is becoming a favourite trade on Wall Street. No one is doubting the OPEC+ (oil-producing nations) decision at the end of last month will keep the oil market very tight in the fourth quarter," said analyst Edward Moya at OANDA.

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