MARKET UPDATE

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Asia FX dips, dollar near 6-mth peak before Fed.

Most Asian currencies fell on Monday, while the dollar steadied near six-month highs as markets hunkered down before several key central bank rate decisions this week, most notably the Federal Reserve.

Lingering concerns over China, particularly the country's struggling property market, also kept broader sentiment subdued. Chinese police detained some employees of embattled developer China Evergrande Group (HK:3333), sparking concerns over renewed regulatory scrutiny towards the sector.

The Chinese yuan fell 0.2%, shrugging off a stronger daily midpoint fix by the People's Bank of China (PBOC). The PBOC is expected to keep its loan prime rates at record lows this Wednesday, as it struggles to meet a balance between supporting economic growth and stemming more yuan weakness.

The dollar retained most of its recent strength, staying within sight of a six-month peak hit last week as investors positioned for more signals from the Fed. The dollar index and dollar index futures fell less than 0.1% each in Asian trade.

Concerns over a U.S. government shutdown, amid disagreements over defence spending between major Republican lawmakers, also kept markets on edge.

Fed expected to pause, but rising inflation muddles rate outlook

The U.S. central bank is widely expected to hold interest rates at the conclusion of a two-day meeting on Wednesday.

Gold prices rise with Fed meeting.

Gold prices rose on Monday as markets bet that the Federal Reserve will keep interest rates on hold this week, while growing fears of a U.S. government shutdown spurred some safe haven demand.

The yellow metal saw some gains in recent sessions as strong inflation and economic activity data failed to convince markets that a U.S. interest rate hike was imminent. But gains were also limited as the dollar raced to six-month highs on the data.

Spot gold rose 0.3% to $1,929.32 an ounce, while gold futures expiring in December rose 0.2% to $1,950.15 an ounce by 23:49 ET (03:49 GMT). Both instruments notched a 0.3% gain last week.

Oil rises on supply concerns.

Oil prices rose for a third straight session on Monday, buoyed by forecasts of a widening supply deficit in the fourth quarter after Saudi Arabia and Russia extended cuts and on optimism of a demand recovery in China, the world's top crude importer.

Brent crude futures rose 39 cents, or 0.4%, to $94.32 a barrel by 0253 GMT while U.S. West Texas Intermediate crude futures were at $91.30 a barrel, up 53 cents, or 0.6%.

"China's stimulus policy, resilient U.S. economic data, and OPEC+'s ongoing output cuts are the bullish factors that support the oil market's upside movement," CMC Markets (LON:CMCX) analyst Tina Teng said, referring to a reserve ratio cut by China's central bank last week to boost liquidity and support its economy.

Traders will be watching decisions and commentary by central banks, including the U.S. Federal Reserve, this week on interest rate policies, and key economic data out of China.

Brent and WTI have climbed for three consecutive weeks to touch their highest levels since November and are on track for their biggest quarterly increase since Russia's invasion of Ukraine in the first quarter of 2022.

The Saudi and Russian output cuts could push the market into a 2 million barrels per day (bpd) deficit in the fourth quarter, and a subsequent drawdown in inventories could leave the market exposed to further price spikes in 2024, ANZ analysts said in a note.

Saudi Arabia and Russia extended supply cuts to the end of the year as part of the OPEC+ group's plans, and as Chinese refineries ramped up output, driven by strong export margins.