

MARKET UPDATE

19/09/2023

Dollar drifts ahead of central bank meeting.

The dollar traded sideways on Tuesday as investors braced for a slew of central bank meetings this week, while the yen languished near a 10-month low as Japan's ultra-loose monetary policy once again came under fire.

Currency moves were largely subdued in Asia trade as the Federal Reserve's impending rate decision on Wednesday stayed top of mind, with the spotlight in Asia also on the Bank of Japan's (BOJ) policy decision due Friday.

The yen fell 0.1% to 147.76 per dollar and was kept pinned near last week's 10-month low of 147.95 per dollar.

Expectations are for the BOJ to keep interest rates ultra-low on Friday and reassure markets that monetary stimulus will stay, at least for now, even as Governor Kazuo Ueda stoked speculation of an imminent move away from ultra-loose policy.

Elsewhere, the Aussie slipped 0.09% to \$0.64315, shrugging off minutes of the Reserve Bank of Australia's (RBA) September meeting that showed it considered raising rates by 25 basis points, before eventually deciding to hold the benchmark cash rate unchanged.

The U.S. dollar edged marginally higher, straying not too far from a six-month peak hit against its major peers last week,

The dollar index gained 0.11% to 105.20, while the New Zealand dollar edged down 0.03% to \$0.59155.

The euro meanwhile gave up some of its gains from the previous session and was last 0.12% lower at \$1.0678.

European stock futures drift lower.

European stock markets are expected to open in a subdued manner Tuesday, as investors await the start of the crucial two-day U.S. Federal Reserve policy meeting as well as the release of more inflation data from the eurozone.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.2% lower, CAC 40 futures in France dropped 0.3% and the FTSE 100 futures contract in the U.K. fell 0.2%.

The European Central Bank's 2% medium term inflation target, hence the central bank's interest rate hike last week. But core inflation, which excludes volatile energy and food prices, is seen falling to 5.3% from 5.5% annually.



Oil prices rise on supply deficit concerns.

Oil prices rose on Tuesday for the fourth consecutive session, as weak shale output in the United States spurred further concerns about a supply deficit stemming from extended production cuts by Saudi Arabia and Russia.

U.S. West Texas Intermediate crude futures rose 98 cents, or 1.1%, to \$92.46, by 0630 GMT, while global oil benchmark Brent crude futures rose 46 cents, or 0.49%, to \$94.89 a barrel.

Prices have gained for three consecutive weeks, and are now around 10-month highs for both benchmarks.

U.S. oil output from top shale-producing regions is on track to fall to 9.393 million barrels per day (bpd) in October, the lowest level since May 2023, the U.S. Energy Information Administration (EIA) said on Monday. It will have fallen for three months in a row.

Those estimates come after Saudi Arabia and Russia this month extended a combined 1.3 million barrels per day (bpd) of supply cuts to the end of the year.

Prices are being supported by concerns over supply tightness and technical factors, said Kelvin Wong, a senior market analyst at OANDA in Singapore.

"(There has been) a persistent short-term uptrend seen in the WTI crude oil futures where prior dips had been held by its 5-day moving average since 29 August...(which is) now acting as a key short-term support at around \$89.90 per barrel," Wong noted.

"Oil's ascent into overbought territory leaves the market vulnerable to a correction," analysts from National Australia Bank (OTC:NABZY) wrote in a client note, pointing to volatility after speeches from Saudi Aramco (TADAWUL:2222) CEO Amin Nasser and Saudi Arabia's energy minister on Monday.

The Aramco CEO lowered the company's long-term outlook for demand, now forecasting global demand to reach 110 million bpd by 2030, down from the last estimate of 125 million bpd.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement