

MARKET UPDATE

21/09/2023

Dollar rallies, yen under pressure.

The dollar hit fresh peaks against a handful of currencies on Thursday, sitting around its highest versus the yen since early November, after the U.S. Federal Reserve struck a sternly hawkish tone after holding rates steady.

Sterling and the euro sank to fresh multi-month lows as questions ramp up about whether the Bank of England may follow its U.S. peer in pausing rates later on Thursday.

The Australian and New Zealand dollar also lost ground, although the Kiwi was buoyed somewhat by stronger-than-expected GDP numbers out earlier in the morning.

The dollar index, which measures the currency against a basket of rivals, rose as high as 105.68, its strongest since early March, before settling slightly lower at 105.55.

The Fed met market expectations at its monetary policy meeting on Wednesday, holding interest rates steady at the 5.25% - 5.50% range.

The U.S. central bank, however, stiffened a hawkish monetary policy stance that its officials increasingly believe can succeed in lowering inflation without wrecking the economy or leading to large job losses.

"Many people went into the Fed meeting expecting a hawkish hold, but it was a more hawkish hold than widely anticipated," said Moh Siong Sim, FX strategist at the Bank of Singapore.

Oil falls as US rate hike expectations offset supply outlook.

Oil prices fell in early Asian trade on Thursday, after posting the largest fall in a month in the previous session, as U.S. interest rate hike expectations offset the impact of drawdowns in U.S. crude stockpiles.

Brent futures for November delivery were down 71 cents, or 0.76%, to \$92.82 a barrel by 0608 GMT. U.S. West Texas Intermediate crude (WTI) fell 70 cents, or 0.78%, to \$88.96, the lowest since Sept. 14..

The U.S. Federal Reserve maintained interest rates after its Federal Open Market Committee (FOMC) meeting, but stiffened its hawkish stance with a rate increase projected by year-end which could dampen economic growth and overall fuel demand.

. Gold prices tumble as Fed talks higher rates.

Gold prices fell on Thursday after the Federal Reserve warned that U.S. interest rates will remain higher for longer, with investors sharply lowering their price expectations for the yellow metal in the coming months.

Gold futures expiring in December- the most traded contract on New York's Comex, slid 1%, or nearly \$20, to \$1,948.05 an ounce, indicating that traders were pricing in much lower gold prices in the coming months, especially amid a higher rate outlook.

Spot gold had a relatively subdued reaction to the Fed, falling 0.1% to \$1,928.12 an ounce by 23:50 ET (03:50 GMT).

Other precious metals also logged steep losses, with platinum futures down 0.6%, while silver tumbled nearly 2%.

Fed sees higher-for-longer rates, fewer cuts in 2024

The central bank held interest rates steady on Wednesday, as widely expected.

But Chair Jerome Powell warned that recent increases in inflation and resilience in the labor market gives the Fed more headroom to keep interest rates higher. Powell also raised the possibility of at least one more rate hike this year.

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