

# MARKET UPDATE

**22/09/2023**

## **Asia FX muted, yen drops after BOJ keeps dovish course.**

Most Asian currencies moved little on Friday as markets continued to fret over higher U.S. interest rates, while the yen came close to 10-month lows after the Bank of Japan maintained its ultra-dovish policy.

The dollar remained relatively well-bid in Asian trade, recovering a measure of overnight losses. The dollar index and dollar index futures rose about 0.1% each and remained within sight of a six-month high hit earlier this week.

Yen weakens as BOJ reiterates dovish stance

The Japanese yen fell 0.4% to 148.16 against the dollar and was trading just shy of its weakest levels since November 2022.

The Bank of Japan maintained short-term rates at negative 0.1% and said it will continue with its monetary easing and yield curve control policies to foster economic growth.

The bank cited increased uncertainty over the Japanese economy, especially due to weakness in its biggest trading partners, as the main reason for maintaining its stimulative policies. The BOJ also said it will continue to target more wage growth and aim to help inflation reach its 2% annual target.

## **Oil prices rise as supply concerns outweigh demand fears**

Oil prices rose on Friday as concerns that a Russian ban on fuel exports could tighten global supply outweighed fears that further U.S. interest rate hikes could dent demand, but they were still headed for their first weekly loss in four weeks.

Brent futures climbed 50 cents, or 0.5%, to \$93.80 a barrel by 0350 GMT, while U.S. West Texas Intermediate crude (WTI) futures gained 63 cents, or 0.7%, to \$90.26 a barrel.

Both benchmarks were on track for a small weekly drop after gaining more than 10% in the previous three weeks amid concerns about tight global supply as the Organization of the Petroleum Exporting Countries and allies (OPEC+) maintain production cuts.

## Gold prices rise as dollar comes off six-month peak, but outlook dim.

Gold prices rose slightly on Friday, taking some relief as the dollar retreated from a six-month high, although the prospect of higher-for-longer interest rates, following a hawkish stance from the Federal Reserve, presented a weak outlook.

The yellow metal was also set for a muted weekly performance, having caught few bids amid growing concerns over rising interest rates.

Gold futures in particular saw wild swings this week as markets adjusted their outlook for the yellow metal in the face of higher U.S. rates.

The most-trade gold futures contract on the Comex, expiring in December, rose 0.2% on Friday to \$1,943.44 an ounce by 00:52 ET (04:52 GMT). The contract was down 0.1% this week.

Spot gold rose 0.2% to \$1,924.26 an ounce, and was set to end the week unchanged.

### Higher rate outlook presents more pain for gold

Gold prices saw some relief as the dollar fell from six-month highs in overnight trade. But the greenback still remained relatively well-bid, amid expectations of higher U.S. interest rates.

The Fed kept rates steady this week, but warned that sticky inflation could invite at least one more hike this year.

The central bank also said it will likely leave rates above 5% through 2024, disappointing market expectations for at least four rate cuts next year.

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