MARKET UPDATE

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Asian shares slip after brutal central bank week.

Asian shares fell on Monday, dragged by China, after central banks last week reinforced the message that interest rates would stay higher for longer, while investors braced for inflation data from the U.S. and Europe.

The yen was jittery near the closely watched 150 per dollar level amid intervention fears, after the Bank of Japan made no change to its dovish monetary policy. Governor Kazuo Ueda is giving a speech and taking questions from 0130 GMT. [FRX/]

Europe is set for a subdued open, with EUROSTOXX 50 futures off 0.3%. S&P 500 futures, however, rose 0.3% while Nasdaq futures gained 0.4%, after Hollywood's writers union reached a preliminary labor agreement with major studios.

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.5%, edging back to a 10-month low plumbed just last week. Japan's Nikkei, on the other hand, rose 0.9%, as investors bought beaten-down shares. (T)

Chinese shares fell after a rebound on Friday, as property concerns and pre-holiday caution weighed. The blue chips index eased 0.5% and Hong Kong's Hang Seng index slumped 1.2% as Chinese property developers dived more than 3%. [.SS]

Evergrande, the embattled developer, said late on Sunday it was unable to issue new debt due to an ongoing investigation into its main domestic subsidiary, Hengda Real Estate Group Co Ltd, the latest trouble in firming up a debt restructuring plan.

Gold prices edge lower as hawkish Fed fears persist.

Gold prices fell slightly on Monday, seeing continued weakness after the Federal Reserve warned that interest rates will remain higher for longer, with strength in the dollar and yields also applying pressure.

The yellow metal traded largely rangebound in recent weeks as the prospect of higher U.S. interest rates dented its appeal. The Fed had last week warned that rates could still rise further this year and will fall by a smaller-than-expected margin in 2023, likely remaining above 5%.

The prospect of higher interest rates bodes poorly for gold, given that it pushes up the opportunity cost of investing in the non-yielding asset.

This trade battered gold over the past year and has limited any major recovery in the yellow metal.

Oil prices rise, tight supply back in focus.

Oil prices rose on Monday as investors focused on a tighter supply outlook after Moscow issued a temporary ban on fuel exports while remaining wary of further rate hikes that could dampen demand.

Brent crude futures climbed 69 cents, or 0.7%, to $93.96 a barrel by 0646 GMT after settling 3 cents lower on Friday.

U.S. West Texas Intermediate crude futures extended gains for a second session, trading at $90.57 a barrel, up 54 cents, or 0.6%.

"Crude oil prices have started the week on the front foot, as the market continues to digest Russia's temporary ban on diesel and gasoline exports, into an already tight market, offset with the Fed's hawkish message that rates will stay higher for longer," IG Markets analyst Tony Sycamore said.

Both contracts fell last week, snapping a three-week winning streak, after a hawkish Federal Reserve stance rattled global financial sectors and raised oil demand concerns.

Prices had rallied more than 10% in the previous three weeks on forecasts of a wide crude supply deficit in the fourth quarter after Saudi Arabia and Russia extended additional supply cuts to the end of the year.

Last week, Moscow temporarily banned gasoline and diesel exports to most countries in order to stabilise the domestic market, fanning concerns of low products supply especially for heating oil as the Northern Hemisphere heads into winter.

"The Russian fuel export ban news appears to be priced in for the time being but the undercurrent of global oil supply tightness runs deep, with an intense focus on diesel shortages and fears over unanticipated LNG supply disruptions likely to persist, especially in the European markets," said Vandana Hari, founder of oil market analysis provider Vanda (NASDAQ:VNDA) Insights.

In the United States, the number of operating oil rigs fell by eight to 507 last week, their lowest since February 2022, despite higher prices, a weekly report from Baker Hughes showed on Friday..

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