

# MARKET UPDATE

**28/09/2023**

## **Dollar steady near 10-month high.**

The dollar clung close to a 10-month high against a basket of its peers on Thursday, keeping the yen near a key intervention zone as investors size up upbeat U.S. economic data and fresh comments from Federal Reserve officials.

As the dollar held firm, the euro and sterling struggled to pick up much from new multi-month-lows hit on Wednesday.

The Australian and New Zealand dollars pared losses, shrugging off retail sales data from Australia that came in weaker than expected.

Federal Reserve Bank of Minneapolis President Neel Kashkari was one among several Fed voices to caution markets on the possibility of more hikes, saying on Wednesday that ample evidence of ongoing economic strength meant that more tightening might be in the pipeline.

Fed Chair Jerome Powell is scheduled to speak later on Thursday, which could give markets further clues on the path of U.S. monetary policy.

Economic data out of the U.S. continues to surprise with its strength, defying investor expectations for a slowdown.

## **Gold prices under \$1,900.**

Gold prices moved little on Thursday but hovered around six-month lows as concerns over rising U.S. interest rates kept investors largely biased to the dollar, while Treasury yields also surged.

Both spot prices and gold futures slid below the key \$1,900 an ounce level this week, as a rally in the dollar and Treasury yields showed little signs of slowing. The greenback was at a 10-month high, while 10-year yields reached a 16-year peak.

Sentiment worsened as oil prices jumped to 2023 highs on Wednesday, which markets feared could factor into stickier inflation and keep interest rates higher for longer. Fears of a U.S. government shutdown also kept investors largely biased towards safe haven assets.

Spot gold fell 0.1% to \$1,874.29 an ounce, while gold futures expiring in December were flat at \$1,890.95 an ounce by 00:26 ET (04:26 GMT). Both instruments were at their weakest levels since mid-March.

## Oil prices surge on tight supplies.

Oil prices rose sharply in Asian trade on Thursday, with U.S. crude futures hitting an over one-year high on continued signs of tighter supply, while positive data from China also aided sentiment.

The signals helped markets largely look past concerns over higher-for-longer U.S. interest rates, following a string of hawkish comments from Federal Reserve officials.

U.S. inventory data showed that stockpiles shrank more than expected in the week to September 22. Data from China also spurred some optimism over an economic recovery in the world's largest oil importer. China's industrial profits rose for the first time this year in August, helping trim a year-to-date slump in profits.

Focus is now on purchasing manager's index data from China, due later this week, for more cues on economic activity. Chinese fuel demand is also expected to increase during the week-long Autumn festival holiday, which begins on Friday.

Brent oil futures jumped 1% to \$95.23 a barrel, staying within sight of a 10-month high, while West Texas Intermediate crude futures surged 1.3% to \$94.88 a barrel by 21:17 ET (1:17 GMT)- their strongest level since August 2022.

### Shrinking US inventories feed tighter supply outlook

U.S. crude inventories shrank by a bigger-than-expected 2.2 million barrels (mb) in the week to September 22, their fifth week of draws in the past seven.

The reading, which also showed a 0.9 mb drop in the Cushing, Oklahoma hub, indicated that oil supplies remained tight in the world's largest fuel consumer.

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