MARKET UPDATE

03/10/2023

Russian rouble weakens past 100 to the dollar.

The Russian rouble weakened past the symbolic threshold of 100 to the dollar before recovering slightly in early trade on Tuesday, weighed down by foreign currency outflows and the country's shrinking current account surplus.

The rouble's last tumble into triple digits in August led the Bank of Russia to make an emergency 350-basis-point rate hike to 12% and authorities discussed reintroducing controls to buttress the currency.

At 0415 GMT, the rouble was 0.21% weaker against the dollar at 99.97 after falling to as low as 100.26 soon after opening at 0400 GMT.

It had gained 0.33% to trade at 104.61 versus the euro. It had shed 0.28% against the yuan to 13.65.

The Russian currency tends to come under pressure at the start of each month, after losing the support of a favourable month-end tax period that usually sees exporters convert FX revenues to meet local liabilities.

Following the August emergency hike, the central bank raised rates again in September to 13%. Analysts polled by Reuters expect the central bank, also grappling with stubborn inflationary pressure, to tighten monetary policy again at its next scheduled meeting on Oct. 27.

Asian stocks slide to lowest this year.

Asian shares slid on Tuesday to their lowest this year as worries over higher U.S interest rates for longer period gripped markets, while the yen wobbled near a one-year low, keeping traders on alert for a possible intervention.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.6% to the lowest since Nov. 28, 2022. Japan's Nikkei fell 1.8%, while Hong Kong's Hang Seng Index sank 3%. Chinese markets were closed for the week because of the Golden Week holiday.

Futures indicated European stocks were due to open lower, with the Eurostoxx 50 futures down 0.58%, German DAX futures 0.60% lower and FTSE futures down 0.31%.

U.S. Federal Reserve officials said monetary policy will need to stay restrictive for "some time" to bring inflation back down to the central bank's 2% target

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

Oil falls 1% on strong US dollar.

Oil prices slipped by around 1% in early Asian trade on Tuesday, after falling to a three-week low in the previous session, on a stronger U.S. dollar, rising U.S. bond yields and mixed supply signals.

Brent futures for December delivery declined 99 cents, or 1.09%, to $89.72 a barrel by 0549 GMT, while U.S. West Texas Intermediate crude (WTI), fell 78 cents, or 0.88%, to $88.04 per barrel.

"(Brent) crude oil prices slid to (around) $90 a barrel as rising US yields and a stronger US dollar dominated market sentiment," ANZ analysts said in a client note.

"While supply remains tight, higher interest rates means expensive storage of inventories. This could lead to further destocking of oil inventories while increasing spot availability."

Earlier on Monday, the U.S. dollar rose to a 10-month high against a basket of major peers after the U.S. government avoided a partial shutdown and economic data fuelled expectations the Federal Reserve will keep rates higher for longer, which could slow economic growth.

Higher interest rates along with a stronger dollar also makes oil more expensive for holders of other currencies, which could dent oil demand.

The announcement from Turkey's energy minister that the country will restart operations this week on a pipeline from Iraq that has been suspended for about six months further weighed on prices.

"In theory, under the terms of the OPEC+ deal, production (outside the GCC) should remain flat over Q4. However, Iraq's compliance has been somewhat spotty in the past and export levels should be expected to rise, assuming the pipeline resumes operations as planned," analysts from BMI Research said in a client report.

OPEC+, the Organization of the Petroleum Exporting Countries (OPEC) plus Russia and other allies, is expected to keep its output settings unchanged when it meets on Wednesday, keeping supplies tight.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol