MARKET UPDATE

05/10/2023

Yen gets some much-needed relief.

The yen received some much needed relief on Thursday as the dollar settled back and U.S. Treasury yields moderated after mixed U.S. economic data overnight made investors reduce bets on the Federal Reserve raising interest rates again this year.

Having come off its nearly 11-month high, the dollar index, which tracks the greenback against six peers, held near overnight levels, settling at around 106.55.

The greenback gave up some recent gains after U.S. private payrolls increased far less than expected in September, according to the ADP National Employment Report on Wednesday, although analysts said more evidence was needed to be sure how fast the labour market is cooling.

Longer dated U.S. Treasury yields eased from 16-year highs after the data and remained lower in the Asian day.

European stock futures edge higher.

European stock markets are expected to edge higher at the open Thursday, benefiting from the strong close on Wall Street overnight as bond yields retreated from recent highs following weaker than expected jobs data.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% higher, CAC 40 futures in France climbed 0.4% and the FTSE 100 futures contract in the U.K. rose 0.2%.

Positive handover from Wall Street

The main U.S. equity indexes all posted strong gains on Wednesday, with the tech-heavy Nasdaq Composite leading the way, as the latest private payrolls data rose less than expected in September.

This resulted in U.S. Treasury yields easing back from 16-year highs, amid lessening concerns over rising interest rates and the likelihood that the Federal Reserve may need to keep rates higher for longer, helping Asian markets post gains, a positive tone that is likely to continue in Europe.

Eurozone retail sales fell 1.2% in August, data showed Wednesday, much more than expected, pointing to weaker consumer demand as inflation remains high.

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Oil up after OPEC+ maintains output cuts.

Oil prices inched up on Thursday, clawing back some of the previous session's big losses after an OPEC+ panel maintained oil output cuts to keep supply tight, though an uncertain demand outlook capped gains.

Brent crude oil futures rose 55 cents to $86.36 a barrel at 0640 GMT, while U.S. West Texas Intermediate crude climbed 55 cents to $84.77.

Oil settled down more than $5 on Wednesday as a bleaker macroeconomic outlook and fuel demand destruction came into focus following a meeting of an OPEC+ panel, grouping the Organization of the Petroleum Exporting Countries and allies led by Russia.

The OPEC+ ministerial panel made no changes to the group's oil output policy, and Saudi Arabia said it would continue with a voluntary cut of 1 million barrels per day (bpd) until the end of 2023, while Russia would keep a 300,000 bpd voluntary export curb until the end of December.

"We continue to see the market in deficit through the fourth quarter and the softer prices reduce the probability OPEC will ease supply constraints," National Australia Bank (OTC:NABZY) analysts said in a note.

On the downside, the euro zone economy probably shrank last quarter, according to a survey which showed demand fell in September at the fastest pace in almost three years as consumers reined in spending amid rising borrowing costs and prices.

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