

MARKET UPDATE

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US stocks slip, oil surges on Middle East conflict.

U.S. stock futures slid on Monday as the military conflict in the Middle East lifted oil and Treasuries, while the sizzling September U.S. jobs report raised the rate stakes for inflation figures later in the week.

Holidays in Japan and South Korea made for thin conditions, but the initial bid was for bonds and the safe harbours of Japanese yen and gold, while oil prices climbed by more than \$3 a barrel.

The Israeli shekel initially sank to its lowest since early 2015 at 3.9880 per dollar, prompting the country's central bank to offer to sell up to \$30 billion for shekels.

Gold was also in demand, rising 1.1% to \$1,852 an ounce.

In currency markets, the yen was the main gainer though moves were modest overall. The euro eased 0.3% to 157.37 yen, while the dollar dipped 0.1% to 149.14 yen. The euro also eased 0.3% on the dollar to \$1.0552.

Dollar, yen gain on flight to safety.

The safe-haven dollar and Japanese yen edged higher on Monday as violence in the Middle East spooked markets, while a blowout U.S. jobs report gave the greenback a further leg up.

The risk-sensitive Australian and New Zealand dollars meanwhile fell in thinned Asian trade, with Japan closed for a holiday.

Against the euro, the yen rose more than 0.3% to 157.55, while the Aussie fell roughly 0.7% at one point to hit a session-low of 94.84 yen.

The Japanese currency last bought 149.19 per dollar.

Risk sentiment was fragile after Israeli forces clashed with gunmen from the Palestinian group Hamas over the weekend, hours after the militants launched a surprise attack on Israel in the deadliest day of violence in the country for 50 years.

Against the dollar, the euro fell 0.2% to \$1.0565, while sterling slipped 0.1% to \$1.2218. A huge stockpile overhang had also depressed the market. As of the end of last week, U.S. gas in storage stood at 3.359 trillion cubic feet, up 13.4 from a year ago and 6% higher than the five-year average.



Attack on Israel boosts appeal of gold, safe-haven assets.

The violence in Israel that erupted this weekend is prompting a move into safe-haven assets as investors closely watch events in the Middle East to gauge the geopolitical risk to markets.

Gunmen from the Palestinian group Hamas entered Israel in an unprecedented attack on Saturday. Western countries, led by the United States, denounced the attack and pledged support for Israel.

Rising geopolitical risk would see buying in assets like gold and the dollar, and boost demand for U.S. Treasuries, which have been sold off aggressively, analysts said over the weekend. As trading started in Asia on Monday those themes played out. U.S. stock futures slid < ESc1>, while crude, gold and Treasuries got a boost.

"This is a good example of why people need gold in their portfolios. It is a perfect hedge against international turmoil," said Peter Cardillo, chief market economist at Spartan Capital Securities, who predicted that the dollar would also benefit.

"Anytime there is international turmoil, the dollar strengthens," Cardillo said.

Markets have been reacting in recent weeks to an expectation that U.S. interest rates will stay higher for longer. Bond yields have soared while the U.S. dollar has been on a streak of gains. Stocks meanwhile had sharp losses for the third quarter but stabilized in the last week.

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