

# MARKET UPDATE

**11/10/2023**

## **Asia stocks hit 2-week high.**

Asia's stockmarkets rose on Wednesday and the dollar beat a retreat as a dovish shift in tone from Federal Reserve officials had traders paring U.S. interest rate expectations, though with a wary eye on U.S. inflation data due on Thursday.

The S&P 500 gained overnight and MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.3% to a two-week high in morning trade. Japan's Nikkei rose 0.5%.

"I actually don't think we need to increase rates anymore," Atlanta Fed President Raphael Bostic told the American Bankers Association, to applause, in Nashville on Tuesday.

The remark follows several Fed officials noting that recent rises in longer-term yields may help do the work of tightening financial conditions and crimping inflation, leaving the central bank with less to do in terms of short-term rate levels.

Wagers on whether the Fed might hike again this year have pulled back a bit this week and Treasury yields have come sharply down from 16-year highs, yanking the dollar with them.

## **European stock futures lower.**

European stock markets are expected to open with minor losses Wednesday, ahead of the release of key U.S. inflation data.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.1% lower, CAC 40 futures in France dropped 0.9% and the FTSE 100 futures contract in the U.K. fell 0.1%.

Fed officials hint at end of rate hikes

A degree of confidence has returned to global equity markets this week after the weekend's shocking events in the Middle East, helped by dovish comments from a few Federal Reserve officials which have fuelling hopes the world's most important central bank is nearing the end of its interest rate increases.

"I actually don't think we need to increase rates anymore," Atlanta Fed President Raphael Bostic said Tuesday, at a conference in Nashville, Tennessee.

This follows several Fed officials noting that recent rises in longer-term yields may help do the central bank's work of tightening financial conditions to tackle inflation, meaning fewer interest rate hikes.

## Oil ticks up on lingering worries.

Oil edged higher on Wednesday as investors grappled with the prospect of supply disruptions due to the Middle East turmoil.

Brent crude rose 25 cents, or 0.3%, to \$87.90 a barrel by 0550 GMT. U.S. West Texas Intermediate (WTI) crude rose 24 cents, also 0.3%, to \$86.21 a barrel.

Brent and WTI surged more than \$3.50 on Monday as the military clashes raised fears that the conflict could spread beyond Gaza, but settled lower in Tuesday's session.

Israel produces very little crude oil, but markets are worried that the conflict could escalate and disrupt Middle East supply, worsening an expected deficit for the rest of the year.

"There is still a risk that this escalates, particularly if there is any Iranian involvement. Under this scenario, stronger enforcement of U.S. sanctions on Iranian oil would tighten up the oil market through 2024," said Warren Patterson and Ewa Manthey, analysts from ING bank, in a note to clients.

U.S. officials have pointed fingers at Iran as being complicit in the Hamas attack on Israel, but credible evidence of the Islamic Republic's role has yet to emerge.

Political risk has kept crude prices from falling further.

Israel says it has razed sections of Gaza in retaliation for the Hamas assaults. Keeping markets on edge, powerful Iraqi and Yemeni armed groups aligned with Iran have threatened to target U.S. interests with missiles and drones if Washington intervenes to support Israel.

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