

# MARKET UPDATE

**12/10/2023**

## **Asian shares rally as markets wager on Fed pivot.**

Asian shares rose on Thursday as markets wagered that U.S. rates have peaked after more dovish remarks from Federal Reserve officials, while traders awaited the U.S. consumer inflation report due later in the day for further monetary policy clues.

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.9% to the highest level in three weeks. Tokyo's Nikkei rallied 1.7%, climbing away from its five-month low hit last week.

News that Central Huijin Investment, a Chinese state fund, raised stakes in the country's big four banks also boosted confidence in the broader market. Hong Kong's Hang Seng index jumped 2.0% and China's blue chips rose 0.8%.

China, however, has also issued a notice prohibiting domestic brokerages and their overseas units from taking on new mainland clients for offshore trading, which will restrict capital outflows, Reuters reported on Thursday.

Overnight, Wall Street closed higher after Fed minutes showed a growing sense of uncertainty around the path of the U.S. economy, with volatile data and tightening financial markets posing risks to growth and leading policymakers to extend a rate pause last month.

## **European stock futures edge higher.**

European stock markets are expected to open higher Thursday after more dovish comments from Federal Reserve officials, as investors await the release of U.S. consumer inflation for monetary policy clues.

At 02:00 ET (06:00 GMT), the DAX futures contract in Germany traded 0.3% higher, CAC 40 futures in France climbed 0.6% and the FTSE 100 futures contract in the U.K. rose 0.5%.

### **U.S. CPI release looms large**

Confidence has been building as investors have started to get comfortable with the idea that the U.S. Federal Reserve is nearing the end of its interest rate increases.

The minutes from the Fed's last meeting, released on Wednesday, indicated that most of the central bank's policymakers agreed that one more rate hike would be "appropriate" as inflation continues to trend well above target.



## Oil down 3rd day as industry data suggests epic US crude build.

Crude prices fell for a third day in a row as trading began in Asia Thursday, responding to a report by industry group API that the largest weekly crude stockpile build in eight months may have taken place in the United States last week.

After Monday's 4% price rally on the back of the worst outbreak in decades of fighting between Israeli and Palestine troops that raised concerns about oil exports from the Middle East, crude markets have taken on an unnatural, eerie calm in the past two days as it became clear the market may have overreacted to the crisis.

As such, crude prices gave back more than 3% of those gains in the last 48 hours, particularly after a Reuters report that Saudi Arabia's state oil firm had informed at least four refiners in North Asia that it would supply them with the full contractual volumes nominated for November.

The pledge by Saudi Aramco (TADAWUL:2222) ran against the very grain of what Riyadh had been publicly telling global oil markets — that its priority was about keeping the market tight, not assuring that supplies were generously available whenever needed.

On Wednesday, the optics for the oil market worsened further after API, or the American Petroleum Institute, reported that US crude oil stocks possibly rose by nearly 13 million barrels last week in what could be the highest build since February.

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