

MARKET UPDATE

17/10/2023

Asia FX edges lower.

Most Asian currencies fell slightly on Tuesday as demand for the dollar remained steady before several major U.S. economic readings this week, while sentiment also remained on edge over the Israel-Hamas war.

U.S. retail sales and industrial production data is due later in the day, while a string of Federal Reserve members are set to speak this week, most notably Chair Jerome Powell on Thursday.

The data and the addresses are set to offer more cues on the world's largest economy, and will be closely watched after a surprise rise in U.S. inflation over the past three months spurred fears of a more hawkish Fed.

This kept the dollar pinned near 10-month highs, with the dollar index and dollar index futures rising slightly in Asian trade on Tuesday.

Uncertainty over the U.S. economy kept most traders wary of risk-heavy Asian currencies. The Indian rupee was flat, while the South Korean won and the Taiwan dollar lost 0.3% and 0.1%, respectively.

Oil prices extend losses.

Oil prices fell in Asian trade on Tuesday, extending recent losses after reports suggested that the U.S. could potentially relax its sanctions on Venezuela's oil industry.

A lack of immediate escalation in the Israel-Hamas war also spurred bets that the conflict will not spill over into the broader Middle East region, as U.S. officials said that Israel had agreed to provide aid to Gaza. President Joe Biden is also set to visit Israel on Wednesday, Secretary of State Antony Blinken said.

While the move pushed up some hopes over a de-escalation in the Israel-Hamas war, it also dented bets over disruptions in Middle Eastern oil supply- a notion that had boosted oil prices since the onset of the conflict earlier in October.

This, coupled with reports of potential sanctions relief for Venezuela, spurred steep losses in oil prices on Monday. Prices extended losses into early Asian trade on Tuesday.

Brent oil futures fell 0.3% to \$89.90 a barrel, while West Texas Intermediate crude futures were flat at \$85.41 a barrel by 20:59 ET (00:59 GMT). Both contracts slid around \$1 on Monday.

Gold prices extend losses before U.S. data dump.

Gold prices fell further on Tuesday, extending declines from the prior session as markets hunkered down before several upcoming cues on the U.S. economy, as well as a series of addresses from Federal Reserve officials.

While the yellow metal saw strong gains after the onset of the Israel-Hamas war pushed investors into safe havens, it reversed course this week after a stronger-than-expected U.S. inflation reading pushed up concerns over higher interest rates.

A lack of an immediate escalation in the war also dented any more near-term safe haven demand, while the dollar found its footing near 11-month highs.

Spot gold fell 0.3% to \$1,915.32 an ounce, while gold futures expiring in December fell 0.3% to \$1,927.85 an ounce by 00:31 ET (04:31 GMT). Both instruments fell in a similar range on Monday.

Asian stocks recover some losses.

Most Asian stocks rose on Tuesday, recovering a measure of recent losses tracking some strength in Wall Street, although markets still remained on edge over the Israel-Hamas war and key upcoming economic readings from China.

Technology stocks were the best performers for the day, with Hong Kong's Hang Seng Index, South Korea's KOSPI and Japan's Nikkei 225 index up between 0.5% and 1% on strength in the sector.

A positive overnight close on Wall Street offered a strong lead-in to regional shares, especially as heavyweight tech stocks closed higher before the third-quarter earnings season.

Markets also took positive cues from stronger-than-expected non-oil exports data from Singapore, which acts as a bellwether for trade in Asia.

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