

MARKET UPDATE

19/10/2023

Asia FX see's steep losses as dollar firms before Powell speech.

Most Asian currencies were muted on Thursday, nursing steep overnight losses as the dollar firmed tracking a spike in Treasury yields before a closely watched address by Federal Reserve Chair Jerome Powell.

Sentiment remained frail amid little signs of deescalation in the Israel-Hamas war, which kept traders wary of risk-driven assets. This was exacerbated by a rout in the bond market, as traders positioned for higher interest rates.

The dollar benefited from this uncertainty, with the dollar index and dollar index futures gaining slightly in Asian trade. Both instruments rose about 0.3% in overnight trade and were within sight of a 11-month peak.

Focus is now squarely on a speech by Fed Chair Powell at the Economic Club of New York later in the day. Given the recent rise in inflation, Powell is widely expected to reiterate his stance on higher-for-longer interest rates.

In Asia, the Japanese yen was muted on Thursday after tumbling close to the 150 level against the dollar- which markets believe could attract currency market intervention by the government.

Gold prices pull back.

Gold prices retreated from over two-month highs on Thursday as caution before a speech by Federal Reserve Chair Jerome Powell somewhat offset safe haven demand fuelled by the Israel-Hamas war.

The yellow metal appreciated sharply this week as an escalation in the Israel-Hamas conflict spurred concerns over a spillover into the broader Middle East region, which in turn fuelled demand for conventional safe havens.

Still, gold prices remained within sight of an over two-month peak hit earlier this week, as markets awaited fresh developments in the Israel-Hamas conflict. The cancellation of a summit between U.S., Egyptian and Palestinian leaders had also spurred more safe haven demand for the yellow metal. China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes fell 0.5% each, while Hong Kong's Hang Seng index traded in a tight range.



Oil falls as Israel embargo concerns fade.

Oil prices fell on Thursday, reversing gains in the previous session, after OPEC showed no signs of supporting Iran's call for an oil embargo on Israel and as the United States plans to ease Venezuela sanctions to allow more oil to flow globally.

Brent futures for December fell 0.5%, or 43 cents, to \$91.07 a barrel. U.S. West Texas Intermediate (WTI) futures for November, which expire on Friday, dropped 0.2%, or 17 cents, to trade at \$88.15 per barrel. The more active December WTI contract was down 0.3%, or 22 cents, to \$87.05 a barrel at 0442 GMT.

Oil prices climbed about 2% in the previous session on concerns about disruptions to global supplies after Iran called for an oil embargo on Israel over the conflict in Gaza and after the U.S., the world's biggest oil consumer, reported a larger-than-expected inventory draw, adding to already tight supplies.

The Organization of the Petroleum Exporting Countries (OPEC) is not planning to take any immediate action on OPEC member Iran's call, sources told Reuters, easing concerns over potential disruptions.

Israel imports about 250,000 barrels per day (bpd) of oil, mainly from Kazakhstan, Azerbaijan, Iraq and African countries, according to Citi analysts in a note.

"We believe an embargo from Kazakhstan and Azerbaijan, a strong Israeli ally, is unlikely," they said.

There was also a pullback in prices as U.S. President Joe Biden's visit to Israel concluded without any further escalation in the Israel-Hamas conflict, said CMC Markets (LON:CMCX) analyst Tina Teng.

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