

# MARKET UPDATE

24/10/2023

## Asia FX creeps higher as dollar, yields retreat.

Most Asian currencies advanced on Tuesday, reversing some recent losses as the dollar retreated from 2023 peaks before a string of key economic readings due this week, although risk appetite still remained weak.

Soft purchasing managers index (PMI) readings from Japan and Australia also limited any major gains in regional currencies, as the data showed that business activity in some of Asia's biggest economies was struggling to pick up.

The Japanese yen rose 0.1% after briefly sinking as low as 150 to the dollar earlier this week. Traders believe that a breach of the level will attract currency market intervention by the government.

Intervention in the bond market by the Bank of Japan, to tame overheated yields- also pressured the yen over the past week.

The Australian dollar rose 0.3%, recovering from a near 11-month low tracking some optimism over China.

## Bitcoin leaps to 2023 high.

Cryptocurrencies extended gains in Asia trade on Tuesday, with bitcoin rallying to an almost 18-month high on speculation that an exchange-traded bitcoin fund is imminent.

Bitcoin rose more than 6% to \$35,198, its highest since May 2022. It had surged 10% on Monday in its best session for almost a year and its price has doubled in 2023.

Crypto-linked shares such as Coinbase (NASDAQ:COIN) Global or bitcoin owner MicroStrategy rose in after-hours trade. Cryptocurrency ether broke above \$1,800.

An exchange-traded fund (ETF) owning bitcoin on behalf of fund investors is seen as a driver of demand because it would allow anyone reluctant to trade crypto markets a means of buying exposure to bitcoin through the stock market.

Investment giant BlackRock (NYSE:BLK) is among several firms with pending applications for bitcoin funds in the U.S. and speculation on their likely approval was fuelled by BlackRock's iShares ETF listing on the website of clearing house DTCC.

Anticipation has also grown after reports this month, including from Reuters, that the gatekeeper, the U.S. Securities and Exchange Commission, won't appeal a court ruling it had been wrong to reject an ETF application from Grayscale Investments.



## Gold prices mixed as yield rally cools.

Gold prices traded in a mixed range on Tuesday, retaining most recent gains as traders watched for any more developments in the Israel-Hamas war, while focus also turned to a string of key U.S. economic readings due this week.

Near-term demand for gold remained underpinned, with spot prices rising as the Israel-Hamas conflict fed safe haven demand. But a drop in gold futures signalled that gold bulls remained wary of higher-for-longer interest rates.

Still, a drop in the dollar and yields from recent peaks also offered some relief to bullion prices.

Spot gold rose 0.1% to \$1,975.71 an ounce, while gold futures expiring in December fell 0.1% to \$1,986.55 an ounce by 00:14 ET (04:14 GMT). Both instruments remained within sight of a near three-month high.

The yellow metal saw stellar gains over the past two weeks as the onset of the Israel-Hamas war sent investors squarely into safe havens. Markets are now watching for any further escalation in the conflict, although recent diplomatic missions from several world powers appeared to have staved off any major escalation.

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