

MARKET UPDATE

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Asia FX muted as rate fears mount.

Most Asian currencies moved little on Friday as markets hunkered down before a series of major central bank meetings next week, while the Japanese yen strengthened slightly on strong inflation data, but remained close to a one-year low.

The dollar index and dollar index futures both moved little in Asian trade, but retained most gains made this week. Treasury yields also steadied after retreating slightly in overnight trade, but remained within sight of multi-year peaks. Data released overnight showed that the U.S. economy grew more than expected in the third quarter, helping improve some sentiment.

But anticipation of a Federal Reserve meeting next week kept traders largely cautious, although the central bank is widely expected to keep rates on hold. Fed officials have flagged the possibility of at least one more rate hike this year, amid sticky inflation and a strong labor market. Strength in the U.S. economy also gives the Fed more headroom to keep rates higher for longer- a scenario that bodes poorly for most Asian currencies.

Oil prices rise, set for steep weekly loss.

Oil prices rose in Asian trade on Friday but were nursing bruising losses for the week as traders priced in a lower risk premium from the Israel-Hamas war, while rising Treasury yields and weak economic data also fuelled demand concerns.

Signs of a potential deescalation in the war saw traders dialling down bets that it will draw in other Middle Eastern countries and disrupt oil supplies in the crude-rich region.

Several diplomatic missions to Israel were working to prevent a planned ground assault on Gaza and negotiate the return of about 200 hostages held by Hamas.

Still, Israeli forces carried out an overnight raid on northern Gaza, while Prime Minister Benjamin Netanyahu reiterated his commitment to a bigger ground assault on the region.

But traders struggled to gauge just how much the war would disrupt oil supplies, given that crude shipments from the Middle East were little changed in the first 20 days of the conflict.

Brent oil futures rose 0.5% to \$88.42 a barrel, while West Texas Intermediate crude futures rose 0.6% to \$83.68 a barrel by 20:49 ET (00:49 GMT). Both contracts plummeted about \$2 a barrel on Thursday and were set to lose between 4% to 5% this week- their first weekly loss in three.

Gold prices rise, keep \$2,000 in sight.

Gold prices rose on Friday and were just shy of the key \$2,000 an ounce level as reports that the U.S. military struck Iran-linked targets in Syria spurred a renewed rush for safe haven assets.

The strikes, which were on two facilities in Eastern Syria, were in retaliation for recent attacks on U.S. troops in Iraq and Syria, the Pentagon said on Thursday. The Pentagon also said that attacks on U.S. troops had increased since the onset of the Israel-Hamas conflict earlier this month.

The news pushed up concerns over a broader escalation in the Middle Eastern conflict, which could potentially draw in more Arab powers. This in turn spurred a rush into conventional safe havens.

Fears of an escalation in the Israel-Hamas war have been a key driver of gold gains this month, putting the yellow metal at an over five-month high earlier in October.

Spot gold rose 0.2% to \$1,989.49 an ounce, while gold futures expiring in December rose 0.1% to \$1,999.0 an ounce by 00:47 ET (04:47 GMT). Both instruments were trading marginally higher for the week.

Fed meeting, inflation data in focus

But further gains in the yellow metal were held back by strength in the dollar and Treasury yields, as markets positioned for a Federal Reserve meeting next week.

While the central bank is widely expected to hold interest rates steady, it is also expected to reiterate its plans to keep rates higher for longer.

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