

# MARKET UPDATE

01/11/2023

## Yen pauses slide.

The battered yen found a footing on Wednesday on renewed threats of intervention from Japan and as investors turned their focus toward a Federal Reserve policy meeting later in the day.

U.S. interest rates are expected to stay on hold, though the release of Treasury refunding details may move the bond market.

Having dropped 1.7% on Tuesday to a one-year low of 151.74 per dollar, the yen stabilised at 151.32 in Asia trade, following more pointed-than-normal remarks from Japan's top currency diplomat, Masato Kanda.

"Speculative trading seems to be the biggest factor behind recent currency moves," Kanda told reporters in Tokyo, adding authorities were "on standby" to respond.

The Bank of Japan raised inflation forecasts on Tuesday, but not policy rates. It redefined its 1% limit on 10-year government bond yields as a reference rate, rather than a hard cap.

## Turkey to toughen law on crypto assets.

Turkey is preparing new legislation covering crypto-assets to persuade an international crime watchdog to remove it from a "grey list" of countries that have taken insufficient action to prevent money laundering and terrorist financing.

The Financial Action Task Force (FATF) downgraded Turkey to a so-called grey list in 2021. Addressing a parliamentary commission late on Tuesday, Finance Minister Mehmet Simsek said a FATF report found Turkey fully compliant with all but one of the watchdog's 40 standards.

"The only remaining issue within the scope of technical compliance is the work related to crypto assets," Simsek said.

"We will submit a law proposal on crypto-assets to the parliament as soon as possible. After that, there will be no reason for Turkey to stay in that grey list, if there are no other political considerations.

The FATF, set up by the G7 group of advanced economies to protect the global financial system, had warned Turkey about "serious shortcomings" including the need to improve measures to freeze assets linked to terrorism and weapons of mass destruction proliferation in 2019.

## Asian stocks subdued ahead of Fed policy decision.

Asian stocks edged higher on Wednesday ahead of a keenly awaited policy decision from the Federal Reserve later in the day, while the yen was stuck near one-year lows against the dollar as Tokyo ramped up intervention warnings.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.14% higher. The index has clocked three straight months of losses. Japan's Nikkei was 2% higher.

European stocks looked set to open on a surer footing, with the Eurostoxx 50 futures up 0.34%, German DAX futures up 0.37% and FTSE futures 0.27% higher.

The spotlight on Wednesday will firmly be on the Federal Reserve's policy decision, with the central bank widely expected to hold rates steady. Comments from Fed Chair Jerome Powell will be scrutinized to gauge where interest rates are headed and how long they will stay higher.

Erik Weisman, chief economist and portfolio manager at MFS Investment Management, said the Fed will keep the option of future rate hikes firmly on the table until the labour market cools considerably and inflationary pressures ease.

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