

# MARKET UPDATE

**02/11/2023**

## **Gold prices rise on bets of no more Fed rate hikes.**

Gold prices rose on Thursday, encouraged by a weaker dollar and Treasury yields after the Federal Reserve struck a less hawkish tone than expected, although gains in the yellow metal were limited by increased risk appetite.

The central bank left interest rates on hold, as widely expected, on Wednesday. But comments from Fed Chair Jerome Powell saw markets pricing in a diminished chance of any more rate hikes, especially as the Fed chair acknowledged that financial conditions had tightened substantially in recent months.

Fed fund futures showed that traders were pricing in an 80% chance of a rate pause in December, and that the Fed will begin trimming rates by mid-2024.

The dollar and Treasury yields sank on this notion, benefiting gold. But traders mostly pivoted into risk-driven assets like stocks, limiting any major gains in the yellow metal.

Spot gold rose 0.2% to \$1,986.07 an ounce, while gold futures expiring in December rose 0.3% to \$1,993.70 an ounce by 00:52 ET (04:52 GMT).

## **Asia FX firms as dollar sinks.**

Most Asian currencies strengthened on Thursday, while the dollar fell sharply after mixed signals from the Federal Reserve ramped up bets that the central bank will not raise interest rates further.

The Australian dollar was among the best performers for the day, surging 0.7% and blazing past weaker-than-expected trade data.

Markets were growing increasingly confident that the Reserve Bank of Australia will raise interest rates when it meets next week, bringing them closer to U.S. levels and making the Aussie appear more attractive.

The Japanese yen jumped 0.5%, recovering sharply from a one-year low as government officials continued to threaten intervention in currency markets. But the yen was still above the 150 level to the dollar, having logged steep losses this week following dovish signals from the Bank of Japan.

Dollar slides as Powell strikes less hawkish tone The dollar index and dollar index futures fell 0.5% each in Asian trade, extending overnight losses as traders ramped up bets that the Fed was done raising interest rates.

## Bitcoin hits 17-month high.

Bitcoin prices rose on Thursday after the Federal Reserve struck a less hawkish tone than markets were expecting, with broader cryptocurrencies also advancing as the dollar weakened and traders bet on no more interest rate hikes.

The world's largest cryptocurrency by market capital rose nearly 4% to \$35,808, hitting its highest level since May 2022. World no. 2 crypto ethereum rose 3% to \$1,866.19- a near three-month high.

The crypto market was largely encouraged by a weaker dollar and sinking yields, after the Federal Reserve kept interest rates steady on Wednesday, as widely expected. The dollar index slid over 0.5% in Asian trade on Thursday.

Fed Chair Jerome Powell struck a seemingly less hawkish tone on future rate hikes. While he still left the door open for one more rate hike this year, Powell also acknowledged that monetary conditions had tightened substantially in recent months. Markets took this as a signal that the Fed may not hike rates any further, and could potentially begin cutting rates by mid-2024.

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