MARKET UPDATE

06/11/2023

Asia FX gains, dollar at 6-week low.

Most Asian currencies strengthened on Monday, while the dollar hovered near six-week lows as softer-than-expected U.S. payrolls data and less hawkish signals from the Federal Reserve drove up bets that the bank was done raising interest rates.

Focus now turns to key upcoming economic readings from China, as well as a Reserve Bank of Australia meeting this week for more cues on major Asian economies.

Sentiment was largely risk-on after data on Friday showed that U.S. nonfarm payrolls grew less than expected in October. The reading signalled more cooling in the U.S. labor market, which has been a key driver of the Fed's hawkish stance this year.

This drove traders into more risk-heavy Asian markets, with the South Korean won and the Thai baht adding 0.5% and 0.2%, respectively.

Southeast Asian currencies saw the biggest gains for the day, with the Malaysian ringgit up 1.2%.

The Japanese yen fell 0.2%, steadying below the 150 level against the dollar. Data on Monday showed that Japan's services sector grew more than expected in October.

But the outlook for the yen remained weak following dovish signals from the Bank of Japan.

Gold prices dip as risk appetite ramps up.

Gold prices fell in Asian trade on Monday, as any relief over a potential pause in the Federal Reserve's rate hikes was largely offset by traders selling the yellow metal in favor of more risk-driven assets.

Gold saw some strength last week as weaker-than-expected U.S. nonfarm payrolls data, coupled with less hawkish signals from the Fed spurred deep declines in the dollar and Treasury yields.

But any major upside in the yellow metal was limited, as traders pivoted largely into risk-driven assets such as stocks and currencies. Safe haven demand for the yellow metal was further dented by a declining risk premium on the Israel-Hamas war, even as the conflict showed little signs of de escalating.

Spot gold fell 0.5% to $1,984.24 an ounce, while gold futures expiring in December fell 0.4% to $1,991.15 an ounce by 23:11 ET (03:11 GMT).

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Oil ticks upwards as Saudi Arabia, Russia stick to output cuts.

Oil prices edged up on Monday as top exporters Saudi Arabia and Russia said they would stick to extra voluntary oil output cuts until the end of the year, keeping supply tight, while investors watched out for tougher U.S. sanctions on Iranian oil.

Brent crude futures rose 55 cents, or 0.65%, to $85.44 a barrel by 0700 GMT, while U.S. West Texas Intermediate crude was at $81.14 a barrel, up 63 cents, or 0.78%.

Saudi Arabia confirmed it would continue with its additional voluntary cut of 1 million barrels per day (bpd) in December to keep output at around 9 million bpd, a source at the ministry of energy said in a statement. The Saudi decision was in line with analysts' expectations.

Russia also announced it would continue its additional voluntary supply cut of 300,000 bpd from its crude oil and petroleum product exports until the end of December.

ING analysts said in a note that the oil market will be in surplus in the first quarter of next year, "which may be enough to convince the Saudis and Russians to continue with cuts."

Both Brent and WTI contracts notched their second straight weekly falls last week, losing about 6% as the geopolitical risk premium faded as U.S. diplomats met regional leaders to limit the risk of the Israel-Hamas war causing a wider conflict in the Middle East.

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