

# MARKET UPDATE

07/11/2023

## Asia FX sinks on Fed.

Most Asian currencies fell on Tuesday as a warning from Federal Reserve officials and signs of more economic headwinds for China dented sentiment, while the Australian dollar tumbled after the Reserve Bank struck a seemingly dovish tone.

The U.S. dollar rebounded from six-week lows, firming in Asian trade after Minneapolis Fed President Neel Kashkari cautioned against too much enthusiasm over an end to the Fed's rate hike cycle.

His comments somewhat dented optimism over a potential end to the Fed's tightening cycle this year, and saw traders step back from a strong rally in risk-driven assets over the past four sessions.

This saw Asian currencies reverse a bulk of their recent gains, with the Japanese yen once again weakening past the 150 level to the dollar. The rate-sensitive South Korean won lost 0.7%, as did the Malaysian ringgit, while the Indian rupee hovered near record lows.

## Oil falls 1% as mixed China trade data offset supply cuts.

Oil prices slipped by 1% on Tuesday, erasing most of Monday's gains, as mixed economic data from the world's second largest oil consumer China and winter demand worries offset the impact of Saudi Arabia and Russia extending output cuts.

Brent crude futures slipped 92 cents, or 1.08%, to \$84.26 a barrel by 0714 GMT, recovering slightly after a \$1 drop earlier, while U.S. West Texas Intermediate crude was at \$79.95 a barrel, down 87 cents, or 1.08%.

Both benchmarks gained about 30 cents on Monday after top exporters Saudi Arabia and Russia reaffirmed their commitment to extra voluntary oil supply cuts until the end of the year.

While China's crude oil imports showed robust growth both year on year and month on month in October, the country's total exports still contracted at a quicker pace than expected, reflecting weak global demand.

Saudi Arabia confirmed on Sunday it would continue with its additional voluntary cut of 1 million barrels per day, Moscow also announced it would continue its additional voluntary supply cut of 300,000 bpd from its crude oil petroleum product exports.



## Gold prices slide as dollar rebounds.

Gold prices fell further in Asian trade on Tuesday, hit by a rebound in the dollar and Treasury yields before a string of major Federal Reserve speakers this week.

Among industrial metals, copper prices fell sharply after trade data from major importer China largely missed expectations.

The dollar rebounded from six-week lows in overnight trade after Minneapolis Fed President Neel Kashkari warned that it was too soon to call an end to the Fed's rate hike cycle.

His comments saw traders scale back some bets on a sustained Fed pause this year, and also spurred steep losses in non-yielding assets such as gold, which has become especially sensitive to interest rates over the past year.

Spot gold fell 0.3% to \$1,971.43 an ounce, while gold futures expiring in December fell 0.5% to \$1,977.95 an ounce by 00:15 ET (05:15 GMT).

Gold saw extended declines in recent sessions, as traders also priced in a smaller risk premium on the yellow metal from the Israel-Hamas war. A lack of meaningful escalation in the conflict dented safe haven demand for the yellow metal.

Fed speakers loom with Powell at the helm

Markets are now awaiting talks from a string of major Fed officials this week, most notably Chair Jerome Powell, who is set to speak at two separate events on Wednesday and Friday.

Traders will be looking to see whether Powell maintains his hawkish rhetoric from last week, or tempers it in the face of some cooling in the labor market.

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