

MARKET UPDATE

08/11/2023

Asia FX muted, dollar rebounds.

Most Asian currencies kept to a tight range on Wednesday, while the dollar maintained a recent rebound after several Federal Reserve officials warned against betting that the central bank was done with its interest rate hikes.

This put an upcoming speech by Fed Chair Jerome Powell squarely in focus, with markets seeking more cues on U.S. monetary policy.

Sentiment towards Asian markets remained constrained, as traders remained on edge over any more hawkish signals from the Fed. Continued signs of economic weakness in China also kept traders wary of regional markets.

The Chinese yuan rose 0.1% on Wednesday, benefiting chiefly from a stronger daily midpoint fix by the People's Bank of China. The yuan also took some support from reports that the Chinese government met with major property developers to gauge their financial positions, potentially heralding more support for the beleaguered sector.

Oil prices slide amid signs of massive US inventory build.

Oil prices hovered around more than three-month lows in Asian trade on Wednesday as signs of a surprise spike in U.S. inventories raised doubts over just how tight supplies would remain.

Data from the American Petroleum Institute showed that U.S. crude inventories surged 11.9 million barrels (mb) in the week to November 3, much more than expectations for a draw of 0.3 mb.

The reading indicated that U.S. stockpiles were increasing amid slowing fuel demand, especially as the winter season limits travel. The API data heralds a similar reading from official inventory data- the release of which has been postponed to November 13 by the Energy Information Administration.

The inventory data added to concerns over tighter oil markets, coming just a day after Bloomberg data showed that Russia's oil exports hit a near four-month high in the prior month.

Brent oil futures expiring January sank 0.3% to \$81.33 a barrel, while West Texas Intermediate crude futures due in December fell 0.5% to \$76.98 a barrel by 20:47 ET (01:47 GMT).

Gold prices under pressure.

Gold prices moved little in Asian trade on Wednesday, but were nursing steep losses over the past two sessions as hawkish comments from Federal Reserve officials saw traders reconsider expectations for more interest rate hikes.

This put an upcoming speech by Fed Chair Jerome Powell squarely in focus, after his comments at a meeting last week were seen as somewhat less hawkish by markets.

Gold saw some gains in the past week after the Fed meeting and a softer-than-expected nonfarm payrolls reading pushed up hopes for an end to the central bank's rate hike cycle.

But several Fed officials downplayed expectations for a pause, citing the need for more hikes amid strength in the economy and sticky inflation.

This dented the outlook for gold, given that higher rates diminish the opportunity cost of investing in the yellow metal.

Spot gold fell 0.1% to \$1,967.78 an ounce, while gold futures expiring in December were flat at \$1,973.85 an ounce by 23:33 ET (04:33 GMT).

Powell speech in focus as Fed officials downplay pause bets

Powell is set to speak twice this week, once on Wednesday and once on Thursday. Any more comments on the U.S. economy and monetary policy will be squarely in focus, especially following a softer-than-expected nonfarm payrolls reading for October.

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