

MARKET UPDATE

10/11/2023

Asia FX muted, dollar strong.

Most Asian currencies moved in a flat-to-low range on Friday, while the dollar held on to recent gains as comments from Federal Reserve officials saw traders reassess expectations of no more interest rate hikes.

Concerns over an economic slowdown in China also dented sentiment towards Asia, following a string of weak data prints for October. While the data pushed up hopes for more stimulus measures from Beijing, it pointed to sustained weakness in the yuan, which fell 0.1% and was headed for a muted weekly finish.

Losses in the Japanese yen- which weakened past the 151 level to the dollar, put traders on edge over any intervention in currency markets by Japanese authorities. A dovish Bank of Japan was the biggest weight on the yen, as the central bank signalled few plans to wind down its ultra-dovish policy.

Broader Asian currencies also moved little on Friday, with Australia's dollar losing 0.1%. The Reserve Bank of Australia flagged more upside potential for inflation in a quarterly monetary policy review, reiterating its comments made after an interest rate hike earlier this week.

But the Aussie was set to lose over 2% this week, after the RBA struck a somewhat dovish tone.

The South Korean won rose 0.2%, while the Indian rupee hovered near record lows, although steeper losses in the rupee were somewhat eased by steep declines in oil prices.

In Southeast Asia, the Singapore dollar traded sideways, while the Malaysian ringgit sank over 0.6%.

Dollar strong, set for weekly gain after Powell speech

The dollar index and dollar index futures moved little in Asian trade on Friday, but were set to add about 0.8% this week after a string of hawkish comments from Fed officials.

Chair Jerome Powell said on Thursday that the Fed was still not convinced that monetary policy remained sufficiently restrictive and warned that the bank stood ready to hike rates further, if necessary.

His comments came after a string of other Fed officials presented a similar rhetoric and saw markets reconsider expectations that the Fed was done hiking rates. Sticky inflation and resilience in the U.S. economy are expected to keep the Fed hawkish in the coming months.



Gold prices dip, set for 2% weekly loss.

Gold prices fell slightly on Friday and were set for steep weekly losses after a string of hawkish comments from Federal Reserve officials saw markets rethink bets for a pause in more interest rate hikes.

Diminishing safe haven demand, in the face of waning concerns over the Israel-Hamas war, also kept appetite for gold largely muted.

After a 10% jump in October, gold prices were hit with a heavy degree of profit taking in early-November, pulling the yellow metal to over three-week lows this week. But prices still remained around the mid-\$1900 mark.

Spot gold fell 0.1% to \$1,957.01 an ounce, while gold futures expiring in December fell 0.4% to \$1,961.90 an ounce by 00:11 ET (05:11 GMT). Both instruments were set to lose about 2% this week- their worst week since late-September.

Oil set for third weekly decline.

Oil prices were up slightly on Friday but are set to fall for a third week as concerns of supply disruptions from the Israel-Hamas conflict have ebbed allowing demand worries to reassert themselves.

Brent crude futures for January were up 41 cents, or 0.5%, at \$80.42 a barrel at 0550 GMT, while the U.S. West Texas Intermediate (WTI) crude futures for December were at \$76.06, up 32 cents, or 0.4%.

Brent futures are down 5.7% this week while WTI has declined 5.9% since last week. The three weeks of declines are the longest weekly losing streak for both contracts since a four-week drop from mid-April to early May.

"The threat of disruptions to supplies from the Middle East continues to fall," ANZ Research said in a note on Friday. 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.

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