

# MARKET UPDATE

**16/11/2023**

## **Asia FX dips, dollar recovers.**

Most Asian currencies weakened on Thursday, tracking a recovery in the dollar as stronger-than-expected U.S. retail sales data brewed some uncertainty over the path of interest rates.

Mixed signals from high-level U.S.-China talks also dented sentiment. While Presidents Xi Jinping and Joe Biden flagged more communication between the two countries after a meeting on Wednesday, a comment from Biden- that Xi is a “dictator,” seemed likely to have irked Chinese authorities.

The Chinese yuan fell 0.2% to 7.2601 against the dollar, also coming under pressure from data showing a sustained decline in Chinese house prices.

The Japanese yen weakened past the 151 level again following overnight strength in the dollar, which put traders on watch for any currency market intervention by the government. Japanese exports grew more than expected in October, data showed, while imports plummeted past expectations.

## **Gold holds recent gains.**

Gold prices steadied on Thursday, but paused a recent recovery rally after stronger-than-expected U.S. retail sales data brewed some uncertainty over the path of U.S. monetary policy.

The yellow metal fell slightly on Wednesday after two straight days of strong gains, as the dollar recovered from a 2-½ month low and Treasury yields stemmed recent declines.

Safe haven demand for gold was slightly aided by high-level U.S.-China talks, as Presidents Xi Jinping and Joe Biden met in San Francisco. The meeting appeared to have prompted some improvement in Sino-U.S. relations, with both parties agreeing to reopen military channels.

But a comment by Biden after the meeting- where he called Xi a “dictator,” threatened to potentially irk Beijing.

Spot gold rose 0.2% to \$1,963.26 an ounce, while gold futures expiring in December rose 0.1% to \$1,965.85 an ounce by 00:16 ET (05:16 GMT). Both instruments had recovered sharply from a three-week low earlier this week.

## Oil prices slip on US crude build.

Oil prices fell on Thursday, extending losses from the previous session, as signals of higher supply from the United States met worries about lackluster energy demand from China.

Brent futures were down 48 cents at \$80.70 a barrel at 0630 GMT. U.S. West Texas Intermediate crude (WTI) shed 53 cents to \$76.13 a barrel.

Both benchmarks fell more than 1.5% in the prior session.

WTI's front-month contract also traded below the price for the second month, a structure known as contango, suggesting that investors expect prices to increase. The front month's discount to the second month traded at minus 17 cents on Thursday.

"Concerns over a record-high U.S. production rate put fresh pressure on oil prices, adding to an already worrisome demand outlook," said Tina Teng, a markets analyst at CMC Markets (LON:CMCX) in Auckland.

U.S. crude stocks rose by 3.6 million barrels last week to 421.9 million barrels, according to the U.S. Energy Information Administration (EIA), far exceeding analysts' expectations in a Reuters poll for a 1.8 million-barrel rise. [EIA/S]

U.S. crude production held steady at a record 13.2 million barrels per day (bpd).

In Asia, China's oil refinery throughput eased in October from the previous month's highs as industrial fuel demand weakened and refining margins narrowed. Still, its economic activity perked up in October as industrial output increased at a faster pace and retail sales growth beat expectations.

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