

MARKET UPDATE

23/11/2023

Asia FX muted, dollar firms amid rate uncertainty.

Most Asian currencies kept to a tight range on Thursday as some signs of resilience in the U.S. labor market pushed up the dollar and brewed uncertainty over the path of interest rates.

Regional trading volumes were low on account of market holidays in the U.S. and Japan and are expected to remain muted for the remainder of the week.

The Chinese yuan was among the better performers for the day, rising 0.2% to 7.1428 against the dollar after a substantially stronger-than-expected daily midpoint fix from the People's Bank.

Markets were also watching for any more stimulus measures from the government, as Beijing was seen preparing more monetary support for the beleaguered property sector.

Oil prices extended recent losses into Asian.

Oil prices extended recent losses into Asian trade on Thursday as unexpected delay in an upcoming OPEC+ meeting spurred uncertainty over just how much further the producer group intended to curb supplies.

Some strength in the dollar also weighed on oil markets, as a smaller-than-expected increase in weekly jobless claims spurred concerns that the labor market will not cool as quickly as initially expected.

Crude market trading volumes are likely to be limited for the remainder of the week, on account of holidays in the U.S. and Japan. This trend could spur additional volatility in price swings.

Brent oil futures slid 1.4% to \$80.80 a barrel, while West Texas Intermediate crude futures fell 1.2% to \$76.19 a barrel by 20:44 ET (01:44 GMT). Both contracts lost about 1% on Wednesday.

Oil prices were still headed for a positive weekly finish, albeit barely, as media reports suggested that the Organization of Petroleum Exporting Countries and allies (OPEC+) will consider more supply cuts during an upcoming meeting.

OPEC meeting delayed, supply cuts in focus But a delay in the meeting- to Nov. 30 from Nov 26- cast some doubts over just how much the cartel will cut supply, given that the delay was reportedly due to disagreements over production between the member countries.

Gold prices pull back from \$2,000.

Gold prices rose slightly in Asian trade on Thursday after pulling back from key levels in overnight trade as strong labor market data fuelled uncertainty over the path of U.S. interest rates.

The yellow metal saw a strong run-up this week amid growing optimism that the Federal Reserve was done raising interest rates in its current cycle. Gold prices briefly crossed the \$2000 an ounce mark on Tuesday.

But signs of resilience in the U.S. labor market and hawkish signals from the minutes of the Fed's recent meeting stalled gold's rally. A rebound in the dollar- from near three-month lows- also weighed on bullion prices.

Spot gold rose 0.2% to \$1,994.43 an ounce, while gold futures expiring in December rose 0.1% to \$1,995.20 an ounce by 00:11 ET (05:11 GMT).

Gold trading volumes were also somewhat limited on account of market holidays in the U.S. and Japan this week.

Gold rally stalls after strong jobless claims data

Data on Wednesday showed that U.S. jobless claims fell less than expected in the prior week, indicating that the labor market was not cooling as quickly as investors had previously expected.

A strong labor market could keep the Fed relatively hawkish in the near-term, although traders were convinced that the central bank will raise interest rates no more.

But the jobless claims data, along with the Fed minutes still brewed some uncertainty over when the Fed could begin trimming rates in 2024. CME Group's Fedwatch tool showed that traders trimmed their expectations for a rate cut by as soon as March 2024.

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