

MARKET UPDATE

28/11/2023

Asia FX rises as easing Fed fears put dollar at 3-month low.

Most Asian currencies advanced on Tuesday amid growing conviction that the Federal Reserve was done raising interest rates, which in turn put the dollar at a three-month low.

Still, gains in most regional currencies were limited as traders remained wary before a string of key economic readings this week. The PCE price index- the Fed's preferred inflation gauge- will be a major point of focus this week.

The Japanese yen was among the better performers for the day, rising 0.3% as traders bet that the Bank of Japan will pivot away from its ultra-dovish stance in 2024. Sticky Japanese inflation data released last week furthered this notion.

Easing fears of the Fed helped the yen recover further from the 150 level. Focus is now on industrial production and retail sales readings from Japan, due later in the week.

The South Korean won rose 0.3%, while the Australian dollar added 0.2% tracking some strength in commodity prices. Data showed on Tuesday that Australian retail sales unexpectedly shrank in October, spurring some bets that inflation will trend lower in the coming months.

Gold prices perch at 6-month high.

Gold prices rose slightly in Asian trade on Tuesday, sticking to a six-month high amid growing bets that the Federal Reserve will not raise interest rates any further.

Anticipation of a slew of economic readings this week also kept safe haven demand for the yellow metal upbeat, as markets awaited more signs of cooling U.S. economic growth and a stalling Chinese rebound.

The dollar sank to three-month lows in overnight trade, benefiting gold and other metal prices on bets of no more Fed rate hikes. But the greenback somewhat steadied in Asian trade, with more Fed cues also on tap this week.

Spot gold was flat around \$2,015.57 an ounce, while gold futures expiring in December rose 0.2% to \$2,015.35 an ounce by 00:18 ET (05:18 GMT). Both instruments were at their highest level since mid-May.

Oil prices rise on weak dollar.

Oil prices rose slightly on Tuesday due to a weak dollar, and expectations that the OPEC+ producer group would deepen and extend output cuts due to fears demand would remain subdued.

Brent crude futures were up 11 cents, or 0.1%, at \$80.09 a barrel at 0510 GMT. U.S. West Texas Intermediate (WTI) crude futures were trading 4 cents higher, also 0.1%, at \$74.90 a barrel.

Both benchmarks pared some gains after rising sharply in early Asian trade.

OPEC+, which combines the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia, will hold an online ministerial meeting on Nov. 30 to discuss production targets for 2024.

The meeting comes amid a sharp decline in oil prices, due to concerns that the market was oversupplied despite output cuts by the OPEC+. Brent has fallen by more than 18% and WTI by over 21% since end-September highs. Strong production by non-OPEC countries such as the United States have added to pressure on prices.

OPEC+ set oil prices tumbling last week by postponing its meeting in order to iron out disagreements over production targets for African producers. But it has moved towards a compromise, four OPEC+ sources told Reuters on Friday, potentially helping the group's de facto leader Saudi Arabia find consensus on the need to deepen output cuts.

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