

MARKET UPDATE

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Asia FX rises on Fed pivot hopes.

Most Asian currencies rose on Wednesday as less hawkish signals from Federal Reserve officials ramped up hopes for an early interest rate cut in 2024, which put the dollar near four-month lows.

The New Zealand dollar was the best performer for the day, rallying nearly 1% after the Reserve Bank of New Zealand kept interest rates on hold, but flagged potential rate increases in 2024 as inflation remained sticky.

The RBNZ hiked its forecast for peak interest rates in 2024- which saw analysts at Westpac now forecasting a 75% probability of an at least 25 basis point hike in the coming months.

Asia FX up, dollar near 4-mth low after Fed officials talk pivot

Broader Asian currencies advanced after Fed officials said in overnight comments that the bank was likely done hiking interest rates and could even consider an early interest rate cut if inflation falls further.

Traders began pricing in an at least 40% chance the Fed will trim rates by as early as March 2024. Focus was now on PCE price index data- the Fed's preferred inflation gauge- due later in the week.

Dollar tumbles on Fed cut bets.

The U.S. dollar slid across the board to hit a more than three-month low against its major peers on Wednesday, while the New Zealand dollar surged after its central bank suggested that more rate hikes could be in the offing.

The kiwi was last 0.78% higher at \$0.6184, having surged more than 1% earlier in the session to a four-month high of \$0.6207 after the Reserve Bank of New Zealand (RBNZ) on Wednesday warned that further policy tightening might be needed if price pressures did not ease.

The hawkish comments, which took investors by surprise, came on the back of the central bank's decision to leave interest rates on hold as expected.

The dollar fell more than 0.5% to 146.675 yen, its weakest level in more than two months. It last bought 147.06 yen, The euro pushed back above \$1.10 to an over three-month high of \$1.1017. It last traded \$1.0998.

Oil slightly higher as OPEC+ awaited.

Oil edged higher on Wednesday as investors turned cautious ahead of a crucial OPEC+ meeting to decide output policy in the coming months, while a supply disruption caused by a storm in the Black Sea provided a lift for prices.

Brent crude futures climbed 3 cents to \$81.71 a barrel at 0625 GMT. U.S. West Texas Intermediate (WTI) crude futures gained 17 cents, or 0.2%, at \$76.58 a barrel.

Both benchmarks gained about 2% on Tuesday on the possibility the Organization of the Petroleum Exporting Countries and allies such as Russia (OPEC+), will extend or deepen supply cuts, as well as concerns over Kazakh oil output and a weaker U.S. dollar.

"Investors covered short positions ahead of the OPEC+ meeting amid worries over supply disruption from Kazakhstan," said Hiroyuki Kikukawa, president of NS Trading, a unit of Nissan (OTC:NSANY) Securities.

"All eyes are on OPEC+ policy and demand outlook toward the end of this year, but WTI is expected to hover around \$76, with a range of \$5 each above and below, for a while unless OPEC+ significantly expands production cuts.

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