MARKET UPDATE

30/11/2023

Asia FX rally stalls on China weakness.

Most Asian currencies kept to a tight range on Thursday tracking weak economic signals from China, while the dollar steadied from recent losses as markets awaited a key inflation reading due later in the day.

The Chinese yuan strengthened slightly after a stronger midpoint fix from the People's Bank of China. But purchasing managers index data showed a sustained decline in manufacturing activity, as China's biggest economic engines struggled with worsening overseas demand.

The reading highlighted continued weakness in the Chinese economy, as a post-COVID rebound failed to materialize.

But steady PBOC support, coupled with a less hawkish outlook for the Federal Reserve saw the yuan set for a 2.6% gain in November. The currency also remained close to a five-month high against the dollar.

Gold prices pause near 7-mth high.

Gold prices fell slightly on Thursday as a recent rally in the yellow metal appeared to have paused, as markets awaited more cues on U.S. monetary policy from a key inflation reading due later in the day.

But the prices of the yellow metal remained close to a seven-month peak hit earlier this week, as expectations of a less hawkish Federal Reserve, a weaker dollar and some increased safe haven demand spurred strong gains in November.

Spot gold fell 0.1% to $2,042.10 an ounce, while gold futures expiring in December fell 0.2% to $2,044.10 an ounce by 00:41 ET (05:41 GMT). Both instruments were up between 2.5% and 3.1%, their second straight month of strong gains.

PCE inflation, more Fed cues in focus

The yellow metal saw stellar gains this week as a string of Fed officials said that recent declines in inflation suggested that the central bank will likely not raise interest rates any further, and that a further easing in inflation may also spur the bank into cutting rates in early-2024.

The trend pointed to easing pressure on gold from high interest rates- a trade that had battered the yellow metal over the past 18 months.

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Oil steady; market eyes OPEC+.

Oil was little changed on Thursday as investors remained cautious ahead of expected production cuts by the OPEC+ group, and as weaker-than-expected Chinese factory data underscored slowing growth in the world's second largest economy.

Brent crude futures climbed 13 cents, or 0.2%, to $83.23 a barrel by 0740 GMT, while U.S. West Texas Intermediate crude futures rose 17 cents, or 0.2%, at $78.03 a barrel.

The benchmark oil contracts settled nearly 2% higher the previous day amid hopes of some form of a price-supportive resolution from the OPEC+ group, which includes the Organization of Petroleum Exporting Countries and allies including Russia.

Members of OPEC+ are due to hold a policy meeting on Thursday. Talks ahead of the meeting were focusing on additional production cuts, although details were yet to be agreed, sources close to the group told Reuters.

"The countdown to the upcoming OPEC+ meeting is now underway, and that has been the central focus for oil prices, as market participants have been shrugging off any bearish news in the way for now," said Yeap Jun Rong, market strategist at IG.

"We have a larger-than-expected build-up in crude inventories from the EIA data, along with a downside surprise in China's PMI figures this morning. Both may support a narrower supply-demand deficit, but failed to cause much dent in prices," Yeap added.

China's manufacturing activity contracted for a second straight month in November and at a quicker pace than expected, an official factory survey showed on Thursday, suggesting more policy support measures are needed to help shore up economic growth in the world's largest oil importer.

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