

# MARKET UPDATE

**01/12/2023**

## **Asia FX muted, dollar rebounds.**

Most Asian currencies kept to a tight range on Friday, while the dollar rebounded from 3-½ month lows in anticipation of more cues on interest rates from Federal Reserve Chair Jerome Powell.

Regional currencies cooled slightly after a stellar rally through November, amid growing conviction that the Fed was done raising interest rates. The central bank is now widely expected to begin trimming rates in 2024, with markets now seeking more cues on the timing of the rate cuts.

Some mixed economic readings from Asia also provided middling cues to markets. China's yuan was flat after a private survey showed that manufacturing activity rebounded unexpectedly in November.

## **Asian stocks sink after stellar November.**

Most Asian stocks retreated on Friday, seeing a measure of profit taking after clocking strong gains through November, with focus now turning to an upcoming address from Fed Chair Jerome Powell for more cues on interest rates.

Mixed economic signals from China also kept sentiment largely constrained, as a private survey showed an unexpected rebound in Chinese manufacturing activity in November. But the reading came a day after a government survey showed persistent weakness in the sector.

China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes fell 0.8% and 0.3%, respectively, while Hong Kong's Hang Seng index sank 0.5%. The three had widely lagged their Asian peers in November, as investors remained wary of an economic slowdown in the country.

Losses in Chinese stocks spilled over into other regions with high trade exposure to the country.

Asian PMIs point to sustained manufacturing weakness

Australia's ASX 200 fell 0.3% as purchasing managers index (PMI) data showed a sustained decline in manufacturing activity. Still, the ASX 200 was nursing a nearly 4% bounce in November.

## Gold prices steady after strong November gains.

Gold prices steadied near a seven-month high on Friday, pausing their recent rally amid anticipation of more cues on U.S. interest rates from Federal Reserve Chair Jerome Powell later in the day.

A swathe of middling purchasing managers index (PMI) readings from across Asia also kept safe haven demand for the yellow metal largely elevated, amid growing concerns over a looming economic slowdown.

Gold was sitting on strong gains in November, as markets grew convinced that the Federal Reserve will raise interest rates no further, and will begin trimming rates in 2024. But the timing of the potential interest rate cuts remained a key point of uncertainty for markets.

Spot gold rose 0.3% to \$2,041.35 an ounce, while gold futures expiring in December rose 0.2% to \$2,041.30 an ounce by 00:57 ET (05:57 GMT). Both instruments clocked strong gains in November, with spot prices less than \$40 away from a record high.

### Powell set to offer more cues before December Fed meeting

Powell is set to speak at two separate events later on Friday. While the Fed Chair has largely maintained his stance that rates will remain higher for longer, markets were looking for any changes in his stance after dovish cues from a string of Fed officials earlier this week.

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