

MARKET UPDATE

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Asia FX muted, dollar steadies.

Most Asian currencies steadied after strong gains on Monday, while the dollar nursed recent losses amid growing conviction that the Federal Reserve was done raising interest rates, and will begin cutting them in early-2024.

The Japanese yen was one of the biggest beneficiaries of this notion, with the currency having recovered sharply from one-year lows in recent weeks on the prospect of easing pressure from higher U.S. interest rates.

The yen steadied around 146.76 to the dollar, and was close to its strongest level since mid-September. Focus was also on an inflation reading from Japan's capital, due on Tuesday, for more potential cues on the Bank of Japan's plans for monetary policy.

The Chinese yuan was flat on Monday after recovering sharply against the dollar in recent weeks, with a series of strong midpoint fixes from the People's Bank offering support. But concerns persisted over China's economy, especially after a string of weak purchasing managers index readings for November.

Oil down as uncertainty over OPEC+ supply.

Oil futures reversed course after rising briefly on Monday amid persistent pressure from the OPEC+ decision and uncertainty over global fuel demand growth, although the risk of supply disruptions from the Middle East conflict limited the losses.

Brent crude futures were down 0.9%, or 73 cents, to \$78.15 a barrel by 0735 GMT, while U.S. West Texas Intermediate crude futures were at \$73.43 a barrel, down 0.8%, or 64 cents.

"Crude seems to be under continued pressure from the OPEC+ decision ... Some degree of discounting of the deeper OPEC+ cuts is justified, but as of now, the crude complex has completely disregarded them," said Vandana Hari, founder of oil market analysis provider Vanda (NASDAQ:VNDA) Insights.

Oil prices slumped more than 2% last week on investor scepticism about the depth of supply cuts by the Organization of the Petroleum Exporting Countries and allies including Russia, together called OPEC+, and concern about sluggish global manufacturing activity.

OPEC+ cuts announced on Thursday were voluntary in nature, raising doubts about whether or not producers would fully implement them. Investors were also unsure about how the cuts would be measured.

Bitcoin breaks \$40,000 as momentum builds.

Bitcoin has broken above \$40,000 for the first time this year as it rides a wave of momentum on broad enthusiasm about U.S. interest rate cuts and as traders anticipate the imminent approval of U.S.-stockmarket traded bitcoin funds.

The world's biggest cryptocurrency hit \$41,522 on Monday, its highest since April 2022 and has seemed to cast off the funk that had settled over crypto markets since the collapse of FTX and other crypto-business failures in 2022.

A 50% rally since mid-October has "seemed to mark a decisive shift away from the bearishness of 2022 and early 2023," said Justin d'Anethan - head of business development for Asia-Pacific at Keyrock, a digital assets market making firm.

He said evidence of institutional buying through November showed a new leg of interest and that although reversals ahead are not inconceivable, lows hit around \$16,000 a year ago "probably marked the bottom".

Bitcoin-investor Microstrategy (NASDAQ:MSTR) last week disclosed it bought an additional \$593 million in bitcoin during November.

Meanwhile, riskier investments and other interest-rate sensitive assets, such as gold, have also rallied hard over the last few weeks as markets wager that the U.S. Federal Reserve has finished hiking rates and will start cutting early in 2023.

Reports in October that the U.S. Securities and Exchange Commission won't appeal a court ruling that found the agency had been wrong to reject an exchange-traded fund application have also driven bets that an eventual approval is nigh.

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