

# MARKET UPDATE

**07/12/2023**

## **Asia FX muted with US labor data in focus.**

Most Asian currencies moved little on Thursday as markets remained on edge before key U.S. labor data, while the yen appreciated as Bank of Japan Governor Kazuo Ueda offered more cues on a potential pivot away from the bank's ultra-dovish stance.

The dollar also steadied in Asian trade, retaining recent gains as markets awaited more cues on when the Federal Reserve planned to begin trimming interest rates.

The yen was the best performer in Asia for the day, rising 0.4% after Ueda flagged more challenges for the BOJ in the coming months, and also spoke about options the bank had when considering a pivot away from negative interest rates.

His comments reinforced expectations that the BOJ will wind down its ultra-dovish, stimulus-heavy policies in the coming year. But uncertainty over the timing of the pivot still kept traders wary.

Gains in the yen were still held back by Ueda stressing on the need for loose policy in the near-term, especially amid signs that the Japanese economy was cooling further.

## **Gold prices steady with US labor data.**

Gold prices moved little in Asian trade on Thursday as traders hunkered down in anticipation of more cues on a cooling U.S. labor market, while focus also remained on when the Federal Reserve planned to begin trimming interest rates.

The yellow metal appeared to have settled into a trading range of between \$2,020 and \$2,050 an ounce after briefly surging to record highs above \$2,100 at the beginning of the week.

A string of different factors had spurred gold's rally, as seemingly dovish cues from Fed Chair Jerome Powell pushed up expectations that the Fed will cut rates by as soon as March 2024.

But markets tapered these expectations over the week, especially amid some signs of resilience in the U.S. economy.

Increased safe haven demand, following an attack on U.S. vessels in the Red Sea, also aided gold prices, although a lack of any escalation in the Middle East saw tensions ebb out of markets.

## Oil rebounds from six-month-low.

Oil prices reclaimed some ground on Thursday after tumbling to a six-month low in the previous session but investors remained concerned about sluggish demand and economic slowdowns in the U.S. and China.

Brent crude futures rose 27 cents, or 0.4%, to \$74.56 a barrel by 0613 GMT. U.S. West Texas Intermediate crude futures rose 24 cents, also 0.4%, to \$69.62 a barrel.

"Oil markets may have been oversold," which could mean the recovery is a "short-term rebound", Tina Teng, a markets analyst with CMC Markets (LON:CMCX), said in a note.

In the previous session, the market was spooked by data showing U.S. output remains near record highs even though inventories fell, analysts at ANZ said in a note.

Some of the bearishness was also a result of higher product fuel inventories, the ANZ analysts said.

Gasoline stocks rose by 5.4 million barrels in the week to 223.6 million barrels, the EIA said on Wednesday, far exceeding expectations for a 1 million-barrel build.

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