

# MARKET UPDATE

**08/12/2023**

## **Asia FX muted with nonfarm payrolls in sight.**

Most Asian stocks rose slightly on Friday with Chinese markets recouping a measure of recent losses, while Japan's Nikkei 225 fell sharply after the Bank of Japan hinted that it eventually planned to begin tightening monetary policy.

Broader sentiment remained largely on edge before key U.S. nonfarm payrolls data due later in the day, which also comes just days before the Federal Reserve's final meeting for the year.

The Nikkei 225 was the worst performer for the day, falling 1.8% to a near one-month low after BOJ Governor Kazuo Ueda on Thursday outlined the options the bank had to pivot away from ultra-low interest rates.

His comments were the clearest signal yet that the world's third-largest central bank planned to tighten its ultra-dovish policy in 2024, and triggered a sharp rally in the yen.

But Ueda still maintained his stance for policy to remain loose in the near-term, citing the need to shore up economic growth.

This notion was furthered by a revised reading on Japan's third-quarter gross domestic product, which showed a bigger than initially expected decline in economic growth. The weak data, which also came on the heels of soft household spending figures, weighed on sentiment towards local stocks.

## **Asian stocks mixed before US payrolls.**

Most Asian currencies firmed sharply on Monday, tracking extended declines in the dollar amid increasing bets that the Federal Reserve was done raising interest rates, while promises of more Chinese stimulus measures also aided sentiment.

The Chinese yuan surged 0.5% to its strongest level against the dollar since early-August. The biggest point of support for the yuan was a substantially stronger-than-expected daily midpoint fix by the People's Bank of China.

The PBOC held its benchmark loan prime rate near record lows on Monday, while also injecting about 80 billion yuan of liquidity into the economy.

Separately, Chinese officials vowed more policy support for the country's beleaguered property sector- a move that helped shore up confidence over one of China's biggest industries. Ructions in the property sector have been a major headwind to China over the past three years.



## Gold prices steady above \$2,000.

Gold prices moved little in Asian trade on Friday, sticking above key levels as markets awaited a potentially softer U.S. nonfarm payrolls reading, which comes just days before a Federal Reserve meeting.

The yellow metal had raced to record highs at the beginning of the week, helped by a mix of rate cut bets and safe haven demand.

But it had lost the record highs as abruptly as it had reached them, as traders locked in profits amid some uncertainty over U.S. monetary policy.

Spot gold steadied at \$2,030.26 an ounce, while gold futures expiring in February were flat at \$2,046.05 an ounce by 01:17 ET (06:17 GMT). Both instruments had touched record highs above \$2,100 an ounce on Monday, before swiftly reversing most gains.

Still, the yellow metal had now maintained the \$2,000 an ounce level for nearly three weeks, indicating increased optimism over gold's prospects in the coming months.

### Nonfarm payrolls in sight, markets seek softer reading

Focus was now squarely on nonfarm payrolls data for November, due later on Friday.

The reading is expected to show further cooling in the labor market, after a drop in job openings and private payrolls data signalled some unwinding in the sector.

Any further cooling in the labor market gives the Federal Reserve less impetus to keep interest rates higher for longer-a scenario that benefits gold.

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