

MARKET UPDATE

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Bitcoin defies its doubters in 2023.

If 2022 was the year that "broke bitcoin", 2023 has been the year of trauma recovery.

Bitcoin has bounced pluckily in the face of depressed crypto prices, low trading volumes and tough economic conditions. It even found a second wind in October following a summer slump.

"We've had a nice recovery, but we're just in the cusp of the new cycle," said Kevin Koh, co-founder and managing partner at investment firm Spartan Group.

Indeed, 2023 has been a surprisingly good year for bitcoin.

The king of cryptocurrencies has leapt 164% since Jan. 1 and is trading above \$40,000. It has outpaced traditional assets, including gold which has risen 10% and the S&P 500 which has gained 20%.

Bitcoin also increased its share of the total cryptocurrency market, from 38% to above 50%, according to CoinGecko data. The overall crypto market cap has swelled to \$1.7 trillion from \$871 billion at the end of 2022, with ether's price jumping 95%.

Gold steadies below \$2,000 before CPI data.

Gold prices moved little on Tuesday, with the yellow metal nursing a sharp fall away from record highs as markets hunkered down before key U.S. inflation data, as well as a Federal Reserve interest rate decision.

Gold lost the coveted \$2,000 an ounce level this week as markets second-guessed bets that the Fed will cut interest rates by as soon as March 2024. These bets had briefly driven gold to record highs of over \$2,100 an ounce earlier this month.

But gold plummeted sharply from record highs over the past week, as signs of resilience in the U.S. economy saw markets betting that the Fed will have more space to keep rates higher for longer.

This notion supported the dollar and also spurred some risk-taking, which pressured gold prices.

US inflation, Fed rate decision in focus

Markets were now squarely focused on U.S. consumer price index (CPI) inflation data, due later on Tuesday. While the reading is expected to show that inflation eased slightly in November, it is still expected to remain well above the Fed's 2% annual target.



Oil rises ahead of interest rate decisions.

Oil prices ticked up on Tuesday but investors remained cautious ahead of key interest rate decisions and inflation data releases, while concerns over excess supply and slowing growth in demand kept a lid on gains.

Brent crude futures for February were up 47 cents, or 0.6%, at \$76.50 a barrel as of 0644 GMT, while U.S. West Texas Intermediate crude futures for January delivery gained 50 cents, or 0.7%, to \$71.82 a barrel.

"All attention will be on the U.S. CPI data today to potentially set the tone for U.S. policymakers at their upcoming meeting," Yeap Jun Rong, market analyst at IG, said in a note.

The U.S. Consumer Price Index (CPI) report is due on Tuesday, while the Federal Open Markets Committee's (FOMC) two-day monetary policy meeting will end on Wednesday.

The U.S. Federal Reserve is widely expected to hold rates steady on Wednesday, but the November Fed minutes showed that policymakers were still concerned that inflation could be stubborn, leaving the door open for additional tightening if needed.

"Further inflation progress will be on watch to validate the effectiveness of current restrictive policies in place and give more room for the Federal Reserve (Fed) to consider rate cuts in 2024 if economic conditions worsen," said Yeap.

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