

# MARKET UPDATE

**13/12/2023**

## **Asia FX dips, dollar steady.**

Most Asian currencies retreated on Wednesday, while the dollar steadied as sticky U.S. inflation data cast some doubts over what the Federal Reserve will signal at the conclusion of a meeting later in the day.

Regional currencies were nursing some losses in recent sessions, as the dollar rebounded on signs of resilience in the U.S. labor market. Data for November also showed a mild uptick in inflation, indicating that the U.S. economy may not be cooling as rapidly as the Fed was anticipating.

This notion weighed on most Asian currencies, as did persistent concerns over an economic slowdown in China.

A Bank of Japan meeting is also due next week, although the central bank is expected to signal no changes to negative interest rates.

Caution before the Fed saw risk-heavy Asian currencies log steeper losses. The South Korean won fell 0.4%, while the Malaysian ringgit led losses across Southeast Asia with a 0.5% fall.

## **Oil prices hit 5-mth low.**

Oil prices fell further in Asian trade on Wednesday, hitting five month lows as traders hunkered down before the final Federal Reserve meeting for the year, while signs of a draw in U.S. inventories offered little support.

Concerns over weaker demand, looser supplies and higher-for-longer interest rates spurred steep losses in oil prices this week, as markets remained averse to crude after underwhelming production cuts from the Organization of Petroleum Exporting Countries and allies (OPEC+) for 2024.

Record-high U.S. production and growing concerns over a slowdown in Chinese demand also weighed on crude, as did uncertainty before more signals on monetary policy from the Fed.

Brent oil futures expiring February fell 0.2% to \$73.09 a barrel, while West Texas Intermediate crude futures fell 0.2% to \$68.71 a barrel by 20:37 ET (01:37 GMT). Both contracts were at their weakest levels since July.

## Dollar ticks up as traders wait on Fed for rate cut timing.

The dollar ticked up slightly versus major rivals on Wednesday, as traders braced for the conclusion of a Federal Reserve policy meeting that could provide clues on when the U.S. central bank will begin lowering interest rates.

China's yuan edged down after an agenda-setting meeting of the country's top leaders failed to deliver strong stimulus measures to shore up economic growth.

New Zealand's dollar slumped after softer-than-expected inflation data suggested its central bank may not have to follow up on its threat to hike rates.

The U.S. dollar index, which gauges the currency against six leading counterparts, added 0.1% to 103.86 as of 0540 GMT, recouping a little of its 0.31% drop overnight.

The dollar rose 0.07% to 145.555 yen, following a 0.5% decline in the previous session. It rose slightly against the euro to \$1.0789, after losing about 0.28% on Tuesday. It also edged up against sterling to \$1.2554.

Fed officials will give updated economic and interest rate projections later in the day following a meeting where analysts and investors expect rates to stay on hold, and investors will focus on how the central bank sees the economy holding up.

In particular, investors will be watching to see if Fed Chair Jerome Powell pushes back against the prospect of interest rate cuts in the first half of 2024.

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