MARKET UPDATE

14/12/2023

Gold prices soar past $2,000.

Gold prices rose above key levels in Asian trade on Thursday, extending gains from the prior session after the Federal Reserve said it was done raising interest rates and projected lower borrowing costs in 2024.

The central bank kept rates on hold, as widely expected, and said it would likely cut interest rates by a bigger-than-expected margin in 2024, citing clear progress towards bringing inflation back within its 2% annual target.

The move spurred widespread speculation over the potential timing of the Fed's cuts, and also sparked steep losses in the dollar, which came close to a four-month low.

Gold benefited from this trade, retaking the coveted $2,000 an ounce level as the prospect of lower U.S. interest rates pushed up the yellow metal's appeal.

Spot gold rose 0.2% to $2,031.88 an ounce, while gold futures expiring in February surged over 2% to $2,046.45 an ounce by 23:50 ET (04:50 GMT).

Still, the yellow metal remained well below record highs of over $2,100 an ounce hit earlier this month, as markets remained uncertain over just when the Fed will begin trimming rates.

Asia FX surges as dollar nears 4-mth low.

Most Asian currencies rose sharply on Thursday, while the dollar came close to a four-month low after the Federal Reserve signaled it was done raising interest rates and will begin trimming borrowing costs in 2024.

The central bank kept interest rates on hold as widely expected, and said it could potentially cut rates by a bigger-than-expected margin in 2024. Fed Chair Jerome Powell also flagged an acceptable amount of progress against inflation.

His comments triggered steep losses in the dollar, with the dollar index and dollar index futures falling 0.3% each in Asian trade. Both instruments were close to their weakest levels since August, at around mid-to-low 102.

Powell's comments also triggered speculation over when the Fed will begin trimming rates. Fed fund futures show traders pricing in an over 70% chance for a 25 basis point rate cut in March 2024.Most Asian currencies shot up in the dollar's wake, as the prospect of lower U.S. ramped up the appeal of risk-heavy, high-yielding assets. U.S. Treasury yields also slid after Wednesday's meeting.

Europe's stock exchanges face calls to reform fees.

Top stock exchange operators in Europe are under pressure from some investors and brokers to trim and simplify their fees to build a deeper capital market that challenges Wall Street's allure to new company listings.

The European Union has long sought to make its fragmented capital markets more efficient, with Britain also trying to find new ways to attract big-ticket IPOs since Brexit.

And while there has always been a healthy tension between exchanges and their users over fees, more than 10 brokers, investors and analysts interviewed by Reuters said Europe's main operators now needed to act to entice investments.

"If you can improve or reduce the costs of execution in the market, then that has a huge effect potentially on boosting turnover and investability," said Ben Springett, head of European electronic and program trading at Jefferies.

Illustrating the problems facing Europe, the Association for Financial Markets in Europe (AFME) said IPO issuance in the region fell 72% year-on-year to a record low in the first half of 2023, and was headed for the lowest annual issuance volume since 2011.

Britain's biggest chip company ARM opted to IPO in New York this year after building supplies firm CRH (NYSE:CRH) shifted its main listing to the United States.

Meanwhile, a BMLL Technologies study shows notional U.S. trading volumes grew more than 2.5 times the European rate between 2018 and 2023.