MARKET UPDATE

15/12/2023

Gold prices push further above $2,000.

Gold prices rose slightly in Asian trade on Friday, extending a push above key levels after dovish signals from the Federal Reserve sparked steep losses in the dollar and Treasury yields.

The yellow metal rebounded from recent losses this week after the Fed said it was done raising interest rates, and will consider deeper interest rate cuts in 2024. The Fed's comments saw markets pricing in at least three rate cuts by the central bank, with the first one coming as soon as March 2024.

The dollar slid to four-month lows after the Fed, while Treasury yields fell across the board with the 10-year rate breaking below 4%.

Gold benefited from this trade, as the prospect of lower rates pushed up the yellow metal's appeal. Lower interest rates also reduce the opportunity cost of investing in gold, which offers no yields and is driven largely by sentiment and safe haven demand.

Spot gold steadied at $2,036.83 an ounce, while gold futures expiring February rose 0.3% to $2,050.95 an ounce by 00:25 ET (05:25 GMT). Both instruments were up between 1.6% and 2% this week.

Asian stocks extend post-Fed rally.

Most Asian stocks rose sharply on Friday, extending recent gains following dovish signals from the Federal Reserve, while some positive economic readings from China also aided sentiment.

Technology-heavy indexes were by far the best performers for the day, as expectations of U.S. interest rate cuts in 2024 drove down Treasury yields. Hong Kong's Hang Seng index was the biggest benefactor from this trade, up 3.5% on strength in heavyweight tech stocks.

Regional stocks also took positive cues from a strong overnight close on Wall Street, with U.S. stock benchmarks trading close to record highs tracking a dovish outlook from the Fed.

Chinese stocks up on positive data, massive liquidity injection

Broader Chinese markets also advanced, with the bluechip Shanghai Shenzhen CSI 300 index up 1%, while the Shanghai Composite added 0.6% after data showed Chinese industrial production grew more than expected in November.

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Oil prices on track for first weekly rise in two months.

Oil prices rose on Friday, on track to notch their first weekly rise in two months after benefiting from a bullish forecast from the International Energy Agency (IEA) on oil demand for next year and a weaker dollar.

Brent futures rose 21 cents to $76.82 a barrel at 0640 GMT. U.S. West Texas Intermediate (WTI) crude climbed 20 cents to $71.78.

Both benchmarks are on course for a modest weekly gain, having been lifted by a mid-week announcement from the U.S. Federal Reserve that it is likely to cut borrowing costs next year.

"Oil prices may see a bit of a 'demand pull' due to improved liquidity conditions after the Fed's dovish pivot," said Kelvin Wong, an analyst at OANDA in Singapore.

The dollar fell to a four-month low on Thursday after the U.S. central bank indicated interest rate hikes have likely ended and lower borrowing costs are coming in 2024.

A weak dollar makes dollar-denominated oil cheaper for foreign purchasers.

The European Central Bank, meanwhile, pushed back against bets on imminent cuts to interest rates on Thursday by reaffirming that borrowing costs would remain at record highs despite lower inflation expectations.

World oil consumption will rise by 1.1 million barrels per day (bpd) in 2024, the IEA said in a monthly report, up 130,000 bpd from its previous forecast, citing an improvement in the outlook for U.S. demand and lower oil prices.

The 2024 estimate is less than half of the Organization of the Petroleum Exporting Countries' (OPEC) demand growth forecast of 2.25 million bpd.

Weak economic data from China, the world's second-largest oil consumer, has added pressure on oil prices in recent weeks.

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