

MARKET UPDATE

29/12/2023

Oil prices to end year 10% lower.

Oil prices are set to end 2023 about 10% lower, the first annual decline in two years, after geopolitical concerns, production cuts and global measures to rein in inflation triggered wild fluctuations in prices.

Brent crude futures were up 33 cents, or 0.4%, at \$77.48 a barrel at 0756 GMT on Friday, the last trading day of 2023, while the U.S. West Texas Intermediate (WTI) crude futures were trading 20 cents, or 0.3% higher, at \$71.97.

On Friday, oil prices stabilised after falling 3% the previous day as more shipping firms prepared to transit the Red Sea route. Major firms had stopped using Red Sea routes after Yemen's Houthi militant group began targeting vessels.

Still, both benchmarks are on track to close at the lowest year-end levels since 2020, when the pandemic battered demand and sent prices nosediving.

Production cuts by the OPEC+ have proved insufficient to prop up prices, with the benchmarks declining nearly 20% from their highest level this year.

Oil's weak year-end performance contrasts with global equities, which are on track to end 2023 higher.

Australia stocks lower at close of trade.

Australia stocks were lower after the close on Friday, as losses in the Gold, Energy and Resources sectors led shares lower.

At the close in Sydney, the S&P/ASX 200 fell 0.31%.

The best performers of the session on the S&P/ASX 200 were Nickel Mines Ltd (ASX:NIC), which rose 4.10% or 0.03 points to trade at 0.70 at the close. Meanwhile, Austal Ltd (ASX:ASB) added 3.57% or 0.07 points to end at 2.03 and St Barbara Ltd (ASX:SBM) was up 2.44% or 0.01 points to 0.21 in late trade.

The worst performers of the session were Resolute Mining Ltd (ASX:RSG), which fell 3.76% or 0.02 points to trade at 0.45 at the close. Perseus Mining Ltd (ASX:PRU) declined 3.66% or 0.07 points to end at 1.85 and Gold Road Resources Ltd (ASX:GOR) was down 2.97% or 0.06 points to 1.96.

Falling stocks outnumbered advancing ones on the Sydney Stock Exchange by 565 to 552 and 399 ended unchanged.



Dollar snaps two-year winning streak on 2024 rate cut bets.

The dollar looked set on Friday to end 2023 with a loss, reversing two straight years of gains, dragged by market expectations that the U.S. Federal Reserve could begin easing rates as early as next March.

The greenback stayed broadly on the back foot on the last trading day of the year, with currency moves subdued amid a holiday lull leading up to the New Year.

Since the Fed launched its aggressive rate-hike cycle in early 2022, expectations of how far U.S. rates would have to rise have been a huge driver of the dollar for the most part of the past two years.

But as economic data subsequently pointed to signs that inflation in the United States is cooling, investors turned their focus to how soon the Fed could begin cutting rates - expectations which gathered steam after a dovish tilt at the central bank's December policy meeting.

Against a basket of currencies, the greenback fell 0.02% to 101.18, languishing near a five-month trough of 100.61 hit in the previous session.

The dollar index was on track to lose more than 2% for the month and roughly 2.2% for the year.

"The dollar is likely to come under pressure in 2024 as (the) Fed formally signals a dovish pivot, but we need to see how growth outside the U.S. transcends," said Charu Chanana, head of FX strategy at Saxo.

A weakening dollar meanwhile brought relief to other currencies, with the euro last at \$1.1076, hovering near a five-month peak, and on track to rise more than 3% for the year.

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