

MARKET UPDATE

02/01/2024

Asia FX slips on weak China PMIs.

Most Asian currencies fell on Tuesday, marking a weak start to the year as dismal Chinese economic readings continued to pile in, while the dollar steadied in anticipation of more key U.S. data this week.

Sentiment towards Asian markets was also rattled by a devastating earthquake in central Japan, which destroyed scores of houses and disrupted train lines in the region. While Japanese markets were closed for a week-long holiday, the yen sank 0.5% in slim trading volumes.

Chinese yuan falls on weak PMI data

The Chinese yuan was among the worst performers for the day, falling 0.4% as official purchasing managers index data showed further deterioration in manufacturing activity.

While a private survey showed some strength in the sector, growth still remained largely modest, while employment and inflation failed to pick up substantially. The readings indicated little signs of recovery in Chinese economic activity at the end of 2023.

Bitcoin clears \$45,000.

Bitcoin rose sharply to a 21-month high on Tuesday amid increased speculation that the U.S. Securities and Exchange Commission was close to approving a spot exchange traded fund for the world's largest cryptocurrency.

Bitcoin rose 6% to \$45,168.6 by 21:35 ET (02:35 GMT), reaching its highest level since early-April 2022. But trading volumes remained slim on account of the New Year holidays.

Bitcoin's gains came as an extension of a stellar recovery in 2023, where the token surged more than 100% in value after starting the year at around \$17,000.

The cryptocurrency's recent gains were driven chiefly by speculation over the approval of a U.S. ETF that directly tracks the token's prices. The SEC has a January 10 deadline to approve or reject a spot ETF application from Ark and 21 Shares, according to a Reuters report. The ruling could set the precedent for ETF applications from several other fund managers for a similar product.

The Reuters report also said that the SEC will notify other applicants by as soon as this week on whether they have been cleared to launch their products by Jan 10.



Gold prices rise in strong start to 2024.

Gold prices rose on Tuesday after seeing strong gains in the last few trading days of 2023, as traders cheered the prospect of early interest rate cuts by the Federal Reserve in 2024.

Spot prices of the yellow metal were trading about \$70 an ounce below a record high hit at the beginning of December, as markets welcomed dovish signals from the Fed and ramped up bets that the bank could begin trimming rates by as soon as March 2024.

But further gains in gold were held back by anticipation of more U.S. economic readings for December, particularly key nonfarm payrolls data, which is due later this week.

Spot gold rose 0.3% to \$2,069.89 an ounce, while gold futures expiring in February rose 0.3% to \$2,078.90 an ounce by 23:36 ET (04:36 GMT).

Nonfarm payrolls awaited for more cues on Fed rate cuts

Markets were now focused squarely on key nonfarm payrolls data for December, which is due this Friday. The reading is expected to show further cooling in the labor market- a trend that is likely to put more pressure on the Fed to consider cutting rates early.

The CME's Fedwatch tool shows traders pricing in an over 70% chance that the Fed will cut rates by 25 basis points in March. But before the March reading, the central bank still has to contend with a slew of economic readings, particularly on inflation and the labor market.

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