

# MARKET UPDATE

**05/01/2024**

## **Gold steadies below \$2,050.**

Gold prices moved little in Asian trade on Friday after sinking below key levels this week following a sharp rebound in the dollar, with focus now squarely on key U.S. labor market data for more cues on interest rate cuts in 2024.

The yellow metal was nursing some losses for the week following a strong melt-up towards the end of 2023. But the rally failed to sustain amid profit-taking and growing uncertainty over the Federal Reserve's plans for interest rate cuts this year.

Markets slightly scaled back bets that rate cuts could begin by as soon as March 2024, after the minutes of the Fed's December meeting offered few cues on when the bank planned to begin trimming rates.

This trend spurred sharp gains in the dollar, with the greenback headed for an over 1% weekly gain- its best since July 2023.

Spot gold rose 0.1% to \$2,045.41 an ounce, while gold futures rose 0.1% to \$2,052.05 an ounce by 23:25 ET (03:25 GMT). Both instruments were down between 0.8% to 1% this week.

## **Asia FX set for weekly losses.**

Most Asian currencies moved in a flat-to-low range on Friday, while the dollar hovered near three-week highs as markets awaited key U.S. labor data for more cues on the Federal Reserve's plans for interest rate cuts.

Regional currencies were set for steep losses in the first week of 2024, as the dollar rebounded sharply amid growing uncertainty over exactly when the Fed plans to begin trimming interest rates.

Traders were seen scaling back expectations that the Fed could begin cutting rates by as soon as March 2024, while the full scope of the potential cuts also remained unclear.

Asia FX heads for weekly losses as late-2023 recovery stalls

The rate-sensitive Japanese yen was among the worst-hit by this uncertainty, with the currency set to lose nearly 3% this week after a series of steep losses.

The yen was at its weakest level in more than three weeks, as sentiment towards Japan was also dented by a devastating earthquake in the country.



## Oil prices higher on Fed comments.

Oil prices edged higher on Friday after minutes from a Federal Reserve meeting suggested inflation was under control and as U.S. Secretary of State Antony Blinken prepared to visit the Middle East to try and prevent the Israel-Gaza conflict from widening.

Brent crude futures were up 32 cents, or 0.4%, to \$77.91 a barrel, while U.S. West Texas Intermediate crude futures rose 43 cents, or 0.6%, to \$72.62 at 0739 GMT.

Both benchmarks, which are on track to end the first week of the year higher, had nearly recouped all losses from Thursday, when prices settled lower in a choppy session due to massive weekly gasoline and distillate stock builds. [API/S] [EIA/S]

While the minutes of the Fed meeting did not provide direct clues about when interest rate cuts might commence, the discussions signalled a growing sense that inflation is under control and rising concern about the risks that an "overly restrictive" monetary policy may hold for the economy.

Lower interest rates reduce consumer borrowing costs, which can boost economic growth and demand for oil.

Also adding to supply concerns were developments in the Middle East, where Israeli forces are planning a more targeted approach in the north and further pursuit of Hamas leaders in the south, its defence minister said on Thursday.

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