

MARKET UPDATE

08/01/2024

Oil down more than 1%.

Oil prices fell by more than 1% on Monday on sharp price cuts by top exporter Saudi Arabia and a rise in OPEC output, offsetting worries about escalating geopolitical tension in the Middle East.

Brent crude slipped 0.93%, or 73 cents, to \$78.03 a barrel by 0753 GMT after falling more than 1% earlier in the session, while U.S. West Texas Intermediate crude futures shed 1.04%, or 77 cents, to \$73.04 a barrel.

"Saudi Aramco (TADAWUL:2222) slashing its February OSPs bolsters the weak demand narrative," said Vandana Hari, founder of oil market analysis provider Vanda (NASDAQ:VNDA) Insights.

Rising supply and competition with rival producers prompted Saudi Arabia on Sunday to cut the February official selling price (OSP) of its flagship Arab Light crude to Asia to the lowest level in 27 months.

Gold prices slide as markets question rate cuts.

Gold prices fell in Asian trade on Monday, extending losses from the prior session as stronger-than-expected U.S. labor data saw markets reconsider expectations for early interest rate cuts.

The yellow metal logged a weak start to 2024, tracking a sharp rebound in the dollar as traders scaled back bets that the Fed could trim rates by as soon as March.

This notion was exacerbated by stronger-than-expected nonfarm payrolls data on Friday showing resilience in the labor market- which gives the Fed more headroom to keep rates higher for longer.

Gold also saw a heavy degree of profit-taking after a fairly strong melt-up through December. The yellow metal ended 2023 with over 10% in gains.

Spot gold fell 0.5% to \$2,035.69 an ounce, while gold futures expiring in February fell 0.4% to \$2,042.25 an ounce by 00:00 ET (05:00 GMT). Both instruments lost about 0.9% in the first week of 2024.

Markets were now focused squarely on key U.S. consumer price index (CPI) inflation data for December, which is due this Thursday, the reading, which comes on the heels of a strong payrolls report, is expected to show a pick-up in inflation from the prior month.

Dollar extends gain ahead of US inflation data.

The dollar edged broadly higher on Monday as risk appetite remained subdued ahead of a key U.S. inflation report later in the week that is likely to provide further clarity on the Federal Reserve's monetary policy outlook.

The yen was nursing deep losses from last week and struggled near the 145 per dollar level, while the risk-sensitive Australian and New Zealand dollars edged lower in a cautious start to the week.

Trading was thinned in Asia with Japan out on a holiday.

Against the yen, the dollar fell 0.22% to 144.29, paring some of its gains from last week when it jumped 2.6% on the Japanese currency, its best weekly performance since June 2022.

The kiwi dipped 0.05% to \$0.6239, after having slid 1.2% last week, while the U.S. dollar index steadied at 102.43.

The greenback's rally was underpinned by a rebound in U.S. Treasury yields as traders tempered their expectations of the pace and scale of Fed cuts this year.

A reading on U.S. inflation due on Thursday could again alter those views, after data on Friday showed U.S. employers hired more workers than expected in December while raising wages at a solid clip, pointing to a still-resilient labour market.

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