

# MARKET UPDATE

**09/01/2024**

## **Asia FX muted, dollar falls from 3-week high.**

Most Asian currencies kept to a tight range on Tuesday but saw some relief as the dollar was hit with profit-taking before key inflation data that is set to offer more cues on interest rate cuts this year.

Regional currencies marked a weak start to the year as markets questioned the potential for early interest rate cuts by the Federal Reserve. This uncertainty was exacerbated by data showing resilience in the U.S. labor space, which gives the Fed less impetus to begin loosening policy early.

While Asian currencies saw some relief this week, they were still trading largely lower for 2024, after a middling performance in 2023.

Several inflation and economic readings from Asia are also on tap this week- anticipation of which kept buying into regional units limited.

The Japanese yen rose 0.4% as data showed inflation in Tokyo fell closer to the Bank of Japan's 2% annual target range in December. The BOJ has signalled that it will begin tightening its ultra-dovish policy only after the 2% target is achieved.

## **Oil prices steady.**

Oil prices steadied in Asian trade on Tuesday after falling sharply at the beginning of the week, as sharp price cuts on oil sales by Saudi Arabia ramped up concerns over sluggish demand.

The world's largest oil exporter slashed the prices of its exports to Asia and parts of Europe, with prices of Asian exports falling to their lowest in 27 months.

The move came amid growing concerns over slowing crude demand, particularly in major Asian consumers such as China. It also came as Saudi Arabia grapples with increasing competition for crude buyers, as other Middle Eastern and African countries increased production in December.

The trend presented more headwinds for oil prices- with demand appearing weak, while markets are likely to remain well-supplied for at least the first half of 2024.

Brent oil futures expiring in March rose 0.2% to \$76.30 a barrel, while West Texas Intermediate crude futures rose 0.1% to \$70.98 a barrel by 20:02 ET (01:02 GMT). Both contracts plummeted over 3% each on Monday, wiping out all gains made in the first week of 2024.

## Gold prices steady from new year's losses.

Gold prices rose slightly in Asian trade on Tuesday, recovering from a rough start to the year as markets reassessed expectations for early interest rate cuts by the Federal Reserve before key U.S. inflation data due this week.

The yellow metal fell sharply below the \$2,050 an ounce level over the past week, tracking a rebound in the dollar as strong labor market data brewed uncertainty over just how much impetus the Fed has to begin loosening policy early.

But gold prices saw some relief this week as the dollar fell from three-week highs, amid some profit-taking. Still, the yellow metal remained well below highs hit in December.

Spot gold rose 0.2% to \$2,032.91 an ounce, while gold futures expiring in February rose 0.3% to \$2,038.85 an ounce by 00:07 ET (05:07 GMT).

US inflation data awaited for more rate-cut cues

Traders remained heavily biased towards the dollar ahead of key consumer price index data due this Thursday. The reading is expected to show a mild pick-up in inflation in December which, coupled with the strong nonfarm payrolls reading, gives the Fed more headroom to keep rates higher for longer.

This spurred some trimming in expectations for early interest rate cuts, which in turn saw gold give up some gains made in December. The yellow metal still ended 2023 with a 10% gain.

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