MARKET UPDATE

10/01/2024

Asia FX weak, dollar sturdy.

Most Asian currencies retreated on Wednesday, while the dollar steadied from recent losses as markets remained on edge before key U.S. inflation data that is expected to factor into the path of interest rates.

Regional currencies were nursing steep losses over the first week of 2024, as markets questioned whether the Federal Reserve will begin trimming interest rates early in 2024.

This notion boosted the dollar, helping the greenback rebound sharply from five-month lows. While the currency saw a spot of profit-taking on Tuesday, it remained well above its December lows.

Japanese yen battered by dovish BOJ bets

The Japanese yen was the worst performer among Asian currencies so far in 2024, extending a slump from the prior year as traders grew more convinced that the Bank of Japan will delay a pivot away from its ultra-dovish policies.

Gold prices under pressure from rate-cut.

Gold prices moved little in Asian trade on Wednesday, retaining most of their losses from the prior week as investors questioned bets on early interest rate cuts by the Federal Reserve.

Focus was largely on upcoming U.S. consumer price index data, which could indicate U.S. inflation remained sticky in December.

Gold was nursing steep losses over the past week as traders steadily scaled back bets that the Fed could begin trimming interest rates by as soon as March 2024. This notion triggered sharp gains in the dollar, which also weighed on bullion prices.

Still, the yellow metal managed to hold above the coveted $2,000 an ounce level, after handily crossing the level in early-December. Gold prices were also up about 10% for 2023.

US CPI data in focus for more rate-cut cues

CPI data due on Thursday is expected to show inflation grew slightly in December. Sticky inflation, coupled with recent signs of resilience in the labor market, give the Fed more headroom to keep rates higher for longer.

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US CPI data in focus for more rate-cut cues.

The dollar was steady on Wednesday in cautious trading ahead of U.S. inflation data later this week that could influence the Federal Reserve's policy, while bitcoin was volatile after a fake social media post rattled markets.

The U.S. securities regulator said someone briefly accessed its X social media account and posted a fake message saying it had approved exchange traded funds (ETFs) for bitcoin. The Securities and Exchange Commission (SEC) said it had not yet approved spot bitcoin ETFs.

Bitcoin surged to a fresh 21-month peak of $47,897 after the fake post, before sliding down to below $45,000 within minutes as the SEC deleted and disavowed the information.

The world's biggest cryptocurrency was last down 0.37% at $45,953. Anticipation of a positive SEC decision on ETFs, which is likely to draw billions in new investments, has boosted bitcoin prices in the past two months.

"The reality is most who have followed the saga have moved on and the green light from the SEC is fully priced," said Chris Weston, head of research at Pepperstone.

In the currency market, the dollar remained on the front foot, with the dollar index, which measures the U.S. currency against six rivals, last at 102.53, after gaining 0.215% on Tuesday.

The index is up 1% this month, after dropping 2% in December as traders reassess how steep and early the rate cuts from the Fed are likely to be.

The Fed's surprising dovish tilt in December, when it projected 75 basis points (bps) of rate cuts in 2024, turbo-charged market expectations of easing with traders last month anticipating as much as 160 bps of cuts.

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