MARKET UPDATE

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Asia FX sinks on weak China GDP.

Most Asian currencies retreated on Wednesday, while the dollar stood at a one-month high amid increasing doubts over early interest rate cuts by the Federal Reserve, while weak Chinese growth data also dented sentiment.

Chinese Q4 GDP misses estimates, economic outlook dim

China's economy grew slightly less than expected in the fourth quarter, and barely edged past government estimates of 5% for growth in 2023. The reading showed that a post-COVID rebound gained little momentum over the past year, and set a middling tone for China in 2024.

The yuan fell 0.1%, although further losses in the currency were held back by a stronger-than-expected daily midpoint fix by the People's Bank of China, according to Reuters data.

Concerns over China pulled down most currencies with trade exposure to the country. The Australian dollar fell 0.2%, while the South Korean won slid 0.6%.

Gold prices fall on rate-cut doubts.

Gold prices extended losses in Asian trade on Wednesday as hawkish signals from Federal Reserve officials raised more doubts over early interest rate cuts by the central bank, while a rebound in the dollar also dented prices.

Among industrial metals, copper prices came close to a one-month low after middling economic growth figures from top importer China.

Gold prices tumbled from the $2,050 an ounce level on Tuesday after Fed Governor Christopher Waller flagged a cautious approach to rate cuts and said that recent resilience in the U.S. economy will likely delay any potential reductions.

His comments sent the dollar to a one-month high, while also triggering a sharp bounce in Treasury yields, with the 10-year rate crossing the 4% mark.

The prospect of higher-for-longer U.S. interest rates largely offset recent safe-haven demand for gold, and saw traders pivot away from the yellow metal and into the dollar.

Spot gold fell 0.4% to $2,019.70 an ounce, while gold futures expiring in February fell 0.4% to $2,022.90 an ounce by 00:20 ET (05:20 GMT). Both instruments tumbled over 1% each on Tuesday.

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Oil falls as China's economic recovery disappoints.

Oil fell on Wednesday as economic growth in China, the world's second-largest crude user, slightly missed expectations, raising concerns about future demand increases, while U.S. dollar strength dented investor's risk appetite.

Global benchmark Brent crude futures fell 58 cents, or 0.7%, to $77.71 a barrel by 0720 GMT. U.S. West Texas Intermediate crude futures (WTI) fell 61 cents, or 0.8%, to $71.79 a barrel.

Brent crude rose slightly on Tuesday while WTI fell as investors saw fundamentals weakening in the U.S. but the ongoing naval and air conflicts in the Red Sea increased concerns of tankers having to reroute to avoid the area, increasing costs and the amount of time for deliveries.

China's economy in the fourth quarter expanded by 5.2% from a year earlier, which missed analyst expectations and calls into question forecasts that Chinese demand will propel stronger global oil growth in 2024.

The Chinese economic growth figure "doesn’t end the headwinds over crude oil demand, the Chinese outlook for 2024 and 2025 is still bleak," said Priyanka Sachdeva, senior market analyst at Phillip Nova.

"(The) oil industry was backing the notion that despite a bumpy recovery, oil demand from China has been resilient and will likely reach record levels in 2024."

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