

MARKET UPDATE

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Asia FX muted, dollar near 1-mth high.

Most Asian currencies moved little on Thursday after clocking steep losses in the prior session, while the dollar fell slightly from a one-month high as strong U.S. retail sales data spurred more doubts over early rate cuts by the Federal Reserve.

Sentiment towards Asian markets remained weak following softer-than-expected Chinese gross domestic product data, which showed the region's largest economy struggling with a sluggish post-COVID recovery.

The Chinese yuan was flat after sinking to its lowest level in nearly two months. But further losses in the currency were limited by a stronger-than-expected midpoint fix by the People's Bank of China.

Still, the outlook for the yuan remained dour, as the PBOC grappled with sluggish growth and limited headroom to keep supporting the currency.

Dollar steadies near one-month high as early rate cut bets wane

The dollar index and dollar index futures fell between 0.1% and 0.2% in Asian trade, after clocking a strong rebound earlier this week.

Gold prices see support at \$2,000.

Gold prices rose slightly on Thursday, steady from a sharp tumble this week as strong U.S. data spurred increasing doubts over early interest rate cuts by the Federal Reserve.

The yellow metal wiped out most gains made through December, and came close to breaking below the coveted \$2,000 an ounce level as the dollar and Treasury yields rebounded this week.

Increased military action in the Middle East also did little to spur safe haven demand for gold, with traders instead pivoting into the dollar on the prospect of higher-for-longer U.S. rates.

Still, gold prices found some support around the \$2,000 an ounce level, and saw a mild recovery on Thursday.

Spot gold rose 0.1% to \$2,008.89 an ounce, while gold futures expiring in February rose 0.2% to \$2,010.40 an ounce by 23:56 ET (04:56 GMT). Both instruments were trading down nearly 2% each for this week.

Asia stocks stumble.

Asian shares struggled to make headway on Thursday, weighed down by a murky economic outlook in China and expectations the global rate easing cycle may not come as early as some had initially thought.

Chinese stocks plumbed multi-year lows as the dour mood over China's shaky economic recovery extended into a second day, while an escalation of geopolitical tensions also kept markets on edge.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3%, but was still languishing near Wednesday's two-month low of 490.45 points.

The downbeat mood looked set to continue into Europe, with EUROSTOXX 50 futures dipping 0.02% and FTSE futures down 0.08%.

Nasdaq futures meanwhile gained 0.06%.

China's blue-chip stock index tumbled to a five-year low of 3,171.63 points, while the Shanghai Composite Index likewise bottomed at 2,760.98 points, its weakest since April 2020.

"For Asia in particular, there are a few negative things that are impacting (markets)," said Khoon Goh, head of Asia research at ANZ.

"The paring back of rate cut expectations is definitely a factor ... (but) for Asia, the bigger driver is the growth concerns around China.

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