

MARKET UPDATE

23/01/2024

Gold prices rise before more economic cues.

Gold prices advanced on Tuesday, tracking mild weakness in the dollar as traders hunkered down before a slew of key U.S. economic readings this week, although the prospect of higher-for-longer U.S. interest rates still kept gains subdued.

Among industrial metals, copper prices rallied 1% on reports that the Chinese government was preparing more measures to support local markets. China is the world's largest copper importer and has been a key pain point for copper prices.

Traders were now seeking more cues on the U.S. economy, amid waning bets that the Federal Reserve will begin cutting interest rates by as soon as March 2024. This notion had weighed heavily on gold earlier in January, pushing prices of the yellow metal as low as \$2,000 an ounce.

Yen flat as BOJ keeps dovish course.

Most Asian currencies kept to a tight range on Tuesday as markets remained on edge before a string of key U.S. economic readings, while the Japanese yen hovered near seven-week lows after the Bank of Japan remained dovish.

The dollar saw some weakness in Asian trade, but remained close to an over one-month high, as traders priced in expectations of higher-for-longer U.S. interest rates.

Relative strength in the dollar kept most Asian currencies subdued, as did the prospect of delayed interest rate cuts by the Federal Reserve.

The Chinese yuan was among the few outliers for the day, rising 0.3% from a two-month low amid recent reports that the People's Bank of China was selling dollars in open markets to support the Chinese currency. The yuan also benefited from a substantially stronger-than-expected midpoint fix by the PBOC.

Japanese yen flat as BOJ stays dovish, flags softer inflation

The yen hovered near its weakest level since early-December on Tuesday, after the BOJ maintained its ultra-low interest rates and stuck to its ultra-dovish policies.

The central bank also forecast lower inflation in fiscal 2024- a scenario that gives it less impetus to immediately begin tightening its ultra-loose policy. The bank gave scant cues on when it plans to begin tightening policy.

Oil steadies on mixed supply, cautious outlook on China.

Oil prices were little changed on Tuesday as traders weighed a host of conflicting supply and demand worries, from rising tensions in the Middle East to cold weather woes disrupting production in the United States.

Brent crude futures added 2 cents to \$80.08 a barrel by 0702 GMT, while U.S. West Texas Intermediate crude futures (WTI) climbed 3 cent to \$74.79 a barrel.

Both the contracts had settled about 2% higher on Monday, as a Ukrainian drone strike on Novatek's Ust-Luga fuel export terminal raised supply concerns and drove up prices. Analysts say Novatek is likely to resume large-scale operations there within weeks.

While damage to loading berths at the Ust-Luga terminal only "briefly impacted exports," the move raises the prospect of the Russia-Ukraine war "moving into a new phase where parties target key energy infrastructure," analysts at ANZ Research said in a note.

In the Middle East, U.S. and British forces have also carried out a fresh round of strikes targeting a Houthi underground storage site and missile and surveillance capabilities used by the Iran-aligned Houthi group.

The attacks by the Houthis on vessels in and around the Red Sea region have disrupted global shipping and stoked fears of inflation. The group has said their attacks are in solidarity with Palestinians as Israel strikes Gaza.

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