

MARKET UPDATE

24/01/2024

Dollar steady amid rate-cut uncertainty.

Dollar steadies near 6-week high with econ. data, Fed meeting on tap

The dollar index and dollar index futures both fell 0.1% in Asian trade after surging to their highest levels since early-December in the prior session.

The greenback marked a strong start to 2024 as strong inflation and labor market data saw traders largely scale back expectations for early interest rate cuts by the Fed.

This notion was exacerbated by a series of hawkish comments from Fed officials over the past week.

Focus now turns to fourth-quarter gross domestic product data, due on Thursday, and PCE price index data- the Fed's preferred inflation gauge- due on Friday. Any signs of resilience in economic growth and inflation give the Fed more impetus to keep rates higher for longer.

The readings also come just days before the Fed's first meeting for 2024, where the bank is widely expected to maintain rates at 23-year highs.

But the Fed is still expected to eventually begin trimming rates this year, which will keep traders watching for any such cues from the meeting.

Gold prices steady.

Gold prices edged lower in Asian trade on Wednesday, sticking to a trading range established over the past week as markets grew more uncertain over U.S. interest rate cuts this year.

Among industrial metals, copper prices inched lower after increased optimism over China drove stellar gains earlier this week.

Gold was reeling from a weak start to 2024, having fallen as low as \$2,000 an ounce earlier this month as traders began steadily pricing out bets that the Federal Reserve will cut interest rates as soon as March 2024.

But the yellow metal rebounded on some safe-haven demand, especially as geopolitical conditions in the Middle East worsened. This rebound also saw gold establish a trading range of between \$2,000 to about \$2,050 an ounce over the past week.

pot gold fell 0.3% to \$2,023.92 an ounce, while gold futures expiring in February fell 0.1% to \$2,024.65 an ounce by 00:17 ET (05:17 GMT).



Asia FX muted, Yen up on BOJ.

Most Asian currencies kept to a tight range on Wednesday, while the dollar steadied near six-week highs as markets awaited more cues on when the Federal Reserve could begin trimming interest rates.

The Japanese yen was an outlier for the day, rising 0.3% after Bank of Japan Governor Kazuo Ueda offered more signals on a potential end to the bank's ultra-dovish policies. But Ueda gave no clear cues on when the BOJ will pivot away from negative rates, and said that easy monetary policy will remain for the near-term.

The yen was also aided by stronger-than-expected trade data for December, with Japanese exports to China rising for the first time in 13 months.

But purchasing managers index (PMI) data for January showed a sustained decline in Japanese manufacturing activity, while services activity grew further in December.

Broader Asian currencies kept to a tight range amid persistent concerns over higher-for-longer U.S. rates. Most regional units had clocked steep losses over the past week as traders began pricing out bets on a March 2024 rate cut.

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