

MARKET UPDATE

26/01/2024

Oil prices steady near 2-mth high.

Oil prices steadied near two-month highs in Asian trade on Friday, and were headed for a strong weekly performance on hopes that U.S. economic strength and more stimulus measures from China will lift demand in the coming months.

Crude prices surged over 3% each on Thursday after data showed the U.S. economy grew more than expected in the fourth quarter, pointing to continued resilience in the world's largest fuel consumer.

Thursday's gains were an extension of earlier strength in prices after top oil importer China rolled out more monetary stimulus and promised more measures to support slowing economic growth.

Positive signals from the world's two largest economies helped spur some hopes that crude demand will strengthen substantially this year. The positive signals also come after major oil industry bodies- the OPEC and the IEA- forecast improving demand in the coming years.

Asia FX muted, dollar steadies.

Most Asian currencies kept to a tight range on Friday, while the dollar steadied after an overnight bounce following strong economic growth data, with a key inflation reading and a Federal Reserve meeting now in focus.

Regional currencies were nursing a muted performance for the week, amid renewed pressure from the dollar as markets began steadily pricing out expectations of early interest rate cuts by the Fed.

Signs of resilience in the U.S. economy further boosted the greenback on Thursday, as fourth-quarter gross domestic product data grew more than expected.

The dollar index and dollar index futures both fell 0.1% in Asian trade. Markets were now awaiting PCE price index data- the Fed's preferred inflation gauge- due later in the day, for more cues on the bank's plans to cut rates.

The data comes just a few days before the Fed's first meeting in 2024, where the central bank is widely expected to keep rates on hold. But any signals on planned rate cuts this year will be in close focus, Asian currencies were nursing a weak start to 2024 on growing doubts over early rate cuts by the Fed. But they saw some support this week as China rolled out more stimulus measures, ramping up hopes for a recovery in the region's largest economy.

Gold prices struggle before inflation data.

Gold prices kept to a tight range on Friday and were headed for a second straight week in red as anticipation of more cues on U.S. interest rates kept traders skittish, with key inflation data and a Federal Reserve meeting now in focus.

On the other hand, copper prices were headed for a strong weekly performance after top importer China rolled out more stimulus measures, driving up hopes that demand for the red metal will remain strong.

China's stimulus measures saw some improvement in risk appetite which, coupled with a series of record highs on Wall Street, further dented demand for gold.

Strength in the dollar- following stronger-than-expected gross domestic product data- also weighed on bullion prices, keeping them firmly within a \$2,000- \$2,050 trading range established over the past week.

Spot gold steadied at \$2,021.41 an ounce, while gold futures expiring in February rose 0.2% to \$2,021.10 an ounce by 23:46 ET (04:46 GMT). Both instruments were down about 0.3% this week.

Still, bigger losses in the yellow metal were held back by some safe haven demand, as the Israel-Hamas war and a growing conflict in the Middle East worsened.

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