

MARKET UPDATE

30/01/2024

Oil prices rise as Middle East concerns fuel supply fears.

Oil prices bounced back in early trade on Tuesday, following a more than 1% drop the previous session, as escalating geopolitical tensions in major producing region the Middle East fuelled supply concerns.

Brent crude futures rose 17 cents, or 0.21%, to \$82.57 a barrel by 0401 GMT. U.S. West Texas Intermediate crude was up 17 cents, or 0.22%, at \$76.95 a barrel.

Both the contracts fell over \$1 on Monday as a deepening real estate crisis fuelled worries about demand from China, the world's biggest crude consumer, after a Hong Kong court ordered the liquidation of property giant China Evergrande (HK:3333) Group.

"Oil price trading above US\$80/bbl is pricing in some geopolitical risk premium again as flare ups continue in the Middle East region. This could fade out within a week or two if there is no strong reaction from the US," said DBS Bank's energy sector team lead Suvro Sarkar.

"If it does worsen into a US-Iran standoff and stricter sanctions, then we are looking at US\$80-100/bbl range for oil to sustain for some time," he added.

Dollar locked in tight ranges ahead of Fed decision.

The U.S. dollar held to narrow ranges against its major peers on Tuesday, as traders awaited the Federal Reserve's monetary policy decision this week for clues on when the U.S. central bank might cut rates.

Data on job openings from the U.S. Department of Labor Statistics due later on Tuesday will in the meantime offer a prelude to the closely watched payroll report to be released on Friday.

The dollar index held steady during Asian hours, last trading around 103.50 as market participants moved cautiously ahead of the two-day Fed meeting that begins on Tuesday.

With the Fed expected to hold interest rates steady, markets will focus on the tone that Fed Chair Jerome Powell strikes at the press conference on Wednesday and any hints of rate cuts in the near future.

Indonesia Finance Minister expects upside bias in stable rupiah outlook.

Indonesia finance minister Sri Mulyani Indrawati said on Tuesday the rupiah exchange rate will remain stable with an upside bias given the pressure from a strong dollar has begun to ease.

Sri Mulyani made the comment at a press conference as the chair of Indonesia's Financial System Stability Committee, which comprises the finance ministry, the central bank, the Financial Services Authority and the deposit insurance corporation.

Sri Mulyani said stability in the rupiah will be fostered by some of the pressure coming off from a strong dollar. The U.S. currency has started to lose some of its shine recently on expectations the Federal Reserve will soon start to cut interest rates.

By 04:34 GMT, the rupiah advanced 0.16% to 15,780 against the dollar, its strongest level in the last four days.

The rupiah slumped to more than a 2-1/2-month low of 15,845 on Friday following local media reports that Sri Mulyani could quit ahead of the Feb. 14 presidential election, which raised questions about the country's fiscal outlook.

Her ministry in response has said Sri Mulyani "continues to carry out her duties in managing state finances".

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