

MARKET UPDATE

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Dollar on solid ground.

The dollar headed for its biggest monthly gain since September and the yen for its sharpest drop in over a year on Wednesday, as traders waited on a U.S. rates decision to round out January.

A sharp slowdown in Australian inflation pushed the Aussie dollar down 0.5% to \$0.6567 and rallied bonds as investors pulled forward wagers on interest rate cuts.

Elsewhere moves were more modest, and the yen made little immediate reaction to a hawkish tilt at the Bank of Japan, while markets waited to hear from the Federal Reserve.

The dollar was slightly firmer at \$1.0817 per euro and steady at 147.67 yen early in the Asia afternoon.

The dollar has gained 2.2% against a basket of major currencies this month as markets dialled back expectations on the speed and scale of rate cuts in the face of strong U.S. economic data and pushback from central bankers.

Oil falls on weak China data.

Oil fell on Wednesday as lacklustre economic data in China, the world's biggest crude importer, weighed on demand sentiment, but prices were set for their first monthly gain since September as broadening Middle East conflicts raised supply concerns.

Brent crude futures for March, which expires today, fell 27 cents, or 0.3%, to \$82.60 a barrel by 0441 GMT. The more actively-traded April contract fell 26 cents to \$82.24.

U.S. West Texas Intermediate crude futures declined 23 cents, or 0.3%, to \$77.59 a barrel.

Manufacturing activity in China, the world's second-largest economy and oil consumer, contracted for a fourth straight month in January, an official factory survey showed on Wednesday, suggesting economic momentum was flagging at the start of 2024.

Forecasts from several analysts, including from the Organization of the Petroleum Exporting Countries (OPEC), see oil demand growth in 2024 driven primarily by Chinese consumption and signs of a slowing economy there undercut those outlooks.

"The Chinese manufacturing sector remains under pressure amid a weak domestic recovery and poor external demand," said Lynn Song, chief economist at ING bank, in a note.

Asia stocks head for monthly loss.

Asian shares fell broadly on Wednesday, while the Australian dollar slid after surprisingly soft inflation data and Japanese government bond (JGB) yields ticked higher on growing bets of an imminent policy shift from the Bank of Japan (BOJ).

Chinese markets wobbled after an official factory survey showed China's manufacturing activity in January contracted for a fourth month as the world's second-largest economy struggles to regain momentum.

MSCI's broadest index of Asia-Pacific shares outside Japan slid 0.4% and was heading for a monthly loss of roughly 5%, snapping a two-month winning streak.

That was in part due to a steep selloff in Chinese stocks this month amid angst over the lack of large stimulus moves by authorities to shore up the economy and low investor confidence, prompting Beijing to step in to put a floor under its sliding market.

"There's a patently clear sign in my mind (that) they don't want the market to go down anymore," Mark Matthews, Bank Julius Baer's head of research for Asia, said at an outlook briefing in Singapore on Tuesday.

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