

MARKET UPDATE

01/02/2024

Oil nudges higher.

Oil prices edged up on Thursday, supported by signals from the U.S. Federal Reserve on a possible start to rate cuts and as China unveiled new support measures for its embattled property market.

Brent crude futures inched up 5 cents to \$80.60 a barrel and U.S. West Texas Intermediate crude futures gained 7 cents to \$75.92 at 0651 GMT, after falling by more than \$2 a barrel in the previous session.

Oil prices are likely supported by expectations for rate cuts this year following a speech by Federal Reserve Chair Jerome Powell on Wednesday, CMC Markets (LON:CMCX) analyst Tina Teng said.

Powell said on Wednesday that interest rates had peaked and would move lower in coming months, with inflation continuing to fall and an expectation of sustained job and economic growth.

Reinforcing views that the central bank could start cutting interest rates by June, data showed U.S. labour costs rose less than expected in the fourth quarter and the annual increase was the smallest in two years.

Gold prices rise.

Gold prices rose on Thursday and were undeterred by the Federal Reserve stating that it will likely keep interest rates higher for longer, while safe-haven buying amid an ongoing conflict in the Middle East also aided the yellow metal.

The Fed's comments spurred a sharp reversal in risk-driven markets, particularly stocks, on Wednesday. This in turn fueled increased safe-haven demand for gold. The yellow metal was also aided by increased demand as a conflict between U.S.-led forces and the Yemen-based Houthi Group worsened.

Spot gold rose 0.3% to \$2,045.21 an ounce, while gold futures expiring in March fell 0.2% to \$2,062.40 an ounce by 00:22 ET (04:22 GMT). The disparity highlighted more near-term demand for physical gold.

Further gains in the yellow metal were held back by a sharp rebound in the dollar, which traded close to seven-week highs.

Asia FX falls, dollar near 7-week high.

Most Asian currencies retreated on Thursday, while the dollar hovered near a seven-week high after the Federal Reserve kept interest rates steady and shot down expectations for a March rate cut.

Regional currencies were pressured chiefly by strength in the dollar, which shot up in overnight trade after the Fed's comments. The dollar index and dollar index futures rose 0.2% each on Thursday and were close to their highest levels since mid-December.

The Chinese yuan was among the worst performers on Thursday, down 0.2% as data showed little improvement in a sluggish economic recovery. A private survey showed that China's manufacturing sector grew as expected in January, but its pace of growth now appeared to be slowing.

Separate data showed the country's home sales plummeted in January, pointing to more pressure on a worsening property crisis.

The Australian dollar fell 0.1% following weaker-than-expected building approval data for December.

The South Korean won rose 0.2%, boosted chiefly by data showing exports grew more than expected in January. This also saw the country's trade balance shrink less than expected.

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