

MARKET UPDATE

02/02/2024

Asia FX muted, dollar heads for a negative week ahead of nonfarm payrolls.

Most Asian currencies kept to a tight range on Friday, while the dollar was headed for a negative week ahead of key U.S. nonfarm payrolls data, which is expected to provide more cues on the path of U.S. interest rates.

The data comes just a few days after the Federal Reserve kept interest rates steady and shot down expectations for an interest rate cut in March. But Fed Chair Jerome Powell struck a somewhat optimistic note on the U.S. economy, which drove investors into risk-driven assets despite the prospect of higher-for-longer interest rates.

This saw traders sell off the dollar after a short-lived bounce. The dollar index and dollar index futures were flat in Asian trade on Friday, and were set to lose about 0.4% this week.

Gold prices steady at \$2,050.

Gold prices steadied near a two-week high on Friday, crossing key levels as unwavering bets on interest rate cuts by the Federal Reserve weighed on the dollar, with nonfarm payrolls data due later in the day set to provide more cues.

The yellow metal largely brushed off signals from the Fed that interest rate cuts will come later than expected this year, instead capitalizing on losses in the dollar and moving closer towards 2024 peaks.

But gains in gold prices cooled on Friday as markets hunkered down before the payrolls data, which is largely expected to factor into the Fed's plans for interest rates.

Spot gold rose 0.1% to \$2,056.20 an ounce- crossing the \$2,050 level for the first time in two weeks, while gold futures expiring in March rose 0.1% to \$2,073.35 an ounce by 00:47 ET (05:47 GMT). The two were also up about 1.9% this week, and were set to snap two straight weeks of losses.

Gold's recovery also comes after a rough start to 2024, with the yellow metal falling 1.2% as markets began steadily pricing out expectations for a March interest rate cut.

Markets position for May rate cut as payrolls data looms, While the Fed largely shot down expectations for a rate cut in March, the CME Fedwatch tool showed traders were now pricing in the possibility of a 25 basis point cut in May- which benefited bullion prices.

Oil prices rise, but still set for weekly loss.

Oil prices rose on Friday and recovered a measure of sharp losses from the prior session, but were headed for a weekly decline as a series of unsubstantiated reports suggested that a Israel-Hamas ceasefire was in the works.

Prices were also encouraged by a softer dollar, which fell in anticipation of key nonfarm payrolls data due later in the day. The reading is widely expected to factor into expectations for U.S. interest rates.

Crude prices clocked volatile swings this week as markets weighed heightened tensions in the Middle East, a recovery in U.S. production and continued economic weakness in China.

But they were set to close the week lower, with a bulk of losses coming on Thursday after multiple media reports said Israeli and Hamas leaders were considering a ceasefire. A Reuters report said that while there was no ceasefire yet, Hamas had welcomed a ceasefire proposal earlier this week.

Brent oil futures expiring in March rose 0.9% to \$79.38 a barrel, while West Texas Intermediate crude futures rose 0.8% to \$74.36 a barrel by 20:17 ET (01:17 GMT). Both contracts were set to lose between 4.4% and 5.2% this week- their worst weekly performance since late-October.

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