

MARKET UPDATE

05/02/2024

Asia FX weakens, dollar strong.

Most Asian currencies weakened on Monday, while the dollar steadied at a near two-month high as strong labor market data and hawkish signals from the Federal Reserve saw traders reconsider bets on early interest rate cuts.

Regional currencies were reeling from steep losses on Friday after U.S. nonfarm payrolls data read much higher than expected for January, pointing to continued resilience in the labor market.

Fed Chair Jerome Powell said in a late-Sunday interview on CBS 60 Minutes that resilience in the U.S. economy gave the Fed more headroom to keep monetary policy steady for the time being. He also flagged a largely data-driven approach to any potential rate cuts.

Powell's comments came just days after the Fed offered similar signals during its first meeting of 2024, and spurred extended gains in the dollar and Treasury yields.

The dollar index and dollar index futures both rose 0.1% in Asian trade, and were at their highest levels since early-December.

Gold prices slide as dollar surges.

Gold prices fell in Asian trade on Monday, extending losses from the prior week as a mix of strong labor market data and hawkish Federal Reserve signals saw markets dial back expectations for early interest rate cuts.

The yellow metal fell sharply from highs above \$2,050 an ounce, as the prospect of higher-for-longer interest rates heralded more near-term pressure. The dollar shot up to a near two-month high on Monday, while Treasury yields also advanced in Asian trade.

In contrast, spot gold fell 0.4% to \$2,031.60 an ounce, while gold futures expiring in April fell 0.3% to \$2,047.75 an ounce by 00:27 ET (05:27 GMT).

Gold loses ground after nonfarm payrolls, Powell comments

Losses in gold were initially triggered by a substantially stronger-than-expected nonfarm payrolls reading for January, which showed continued resilience in the world's largest economy- which gives the Fed more headroom to keep rates higher for longer.

Gold has so far largely retained the \$2,000 an ounce level, and spot prices are still within sight of record highs hit in late-2023.



Asian stocks slump.

Asian shares eased on Monday and the dollar was firm after a robust U.S. jobs report dashed expectations of a near-term interest rate cut from the Federal Reserve, while stocks in China were volatile as investor sentiment remained shaky.

Oil prices surged following fresh strikes on Iran-aligned factions in Iraq, Syria and Yemen by the United States, with rising tension in the Middle East keeping risk appetite in check.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.21% having dropped more than 1% earlier in the session.

European bourses looked set for a muted open, with Eurostoxx 50 futures down 0.09%, German DAX futures down 0.19% and FTSE futures up 0.07%.

The focus in Asia has been on slumping Chinese stocks as investor sentiment remains rock-bottom on lack of policy support and broad stimulus.

China's blue-chip index was up 1% on Monday afternoon after dropping 2% earlier in the session, having touched a fresh five-year low last week. Hong Kong's Hang Seng Index was up 0.5%.

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