

MARKET UPDATE

08/02/2024

Asia FX gains some ground as dollar retreats.

Most Asian currencies advanced slightly on Thursday as the dollar and Treasury yields pulled further away from recent peaks, although persistent signs of deflation in China kept sentiment subdued.

Markets were now awaiting more cues on U.S. interest rates after largely dialling back expectations for early rate cuts by the Federal Reserve, following a string of robust economic readings and hawkish comments from Fed officials.

This trend largely curbed a rally in the dollar, with the greenback pulling back further from a three-month high hit earlier this week. U.S. Treasury yields also retreated from recent highs.

The dollar index and dollar index futures fell 0.1% each in Asian trade, extending sharp overnight declines. U.S. inflation data for January, due next week, is now in focus for more cues on the path of interest rates.

Most Asian currencies crept higher. The Australian dollar was among the better performers for the day, rising 0.1% and extending gains from earlier this week after the Reserve Bank of Australia warned that it could still hike interest rates in the face of sticky inflation.

Gold prices in a holding pattern.

Gold prices drifted slightly lower on Thursday, taking little support from a decline in the dollar and yields as markets remained on edge over the prospect of higher-for-longer U.S. interest rates.

But the yellow metal stuck largely within a trading range of \$2,000 and \$2,050 established over the past week, with traders now awaiting more cues on the path of interest rates.

Gold prices fell within a holding pattern after robust U.S. economic data and a chorus of hawkish Federal Reserve comments saw markets largely price out expectations for early interest rate cuts this year.

With the central bank now expected to begin trimming rates only from June 2024, the near-term outlook for gold remained cloudy. A spike in the dollar- to three-month highs-also pressured bullion prices, although the greenback saw a heavy dose of consolidation this week.



Dollar consolidates after Fed comments.

The U.S. dollar was trading in a tight range on Thursday as traders digested less dovish remarks from policymakers overnight and looked ahead to fresh economic data from the United States.

Overnight, several Fed speakers gave a range of reasons for feeling little urgency to start easing policy in the United States soon or to move quickly once they do.

"For the moment, policy remains well positioned, as we carefully assess the evolving data and outlook," Boston Fed President Susan Collins said, adding that she believes it will be "appropriate to begin easing policy restraint later this year."

The market is pricing in an 18.5% chance the Fed will begin to cut rates in March, down significantly from the start of the year, according to CME Group's (NASDAQ:CME) FedWatch Tool. Traders see a nearly 60% chance of a 25 basis point cut in May.

"The markets will be guided by central banks (but) ultimately, market participants will draw their own conclusions based on the fundamentals," said Kyle Rodda, senior financial market analyst at Capital.com.

The greenback slipped somewhat after rising above its 100-day moving average on Monday and Tuesday for the first time since late November, propelled by Friday's surging U.S. jobs data.

The dollar index, a measure of the U.S. currency against six major peers, was last hovered around 104.00.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement