

# MARKET UPDATE

**12/02/2024**

## **Asia FX treads water, dollar edges lower.**

Most Asian currencies moved in a tight range on Monday as market holiday across most of the region kept trading volumes limited, while the dollar fell slightly before key inflation data due this week.

Chinese, Singapore, South Korean and Hong Kong markets were closed for the Lunar New Year holiday, while Japanese markets were closed for Memorial Day.

This saw most regional currencies clock limited moves, while anticipation of the U.S. inflation reading also kept traders averse to risk-heavy currencies.

The Chinese yuan fell 0.1% in offshore trade, while the Australian dollar fell 0.1%. The South Korean won also lost 0.1%.

The Indian rupee was flat before key consumer price index (CPI) inflation data due on Tuesday. The reading is expected to show inflation remaining sticky and comes just days after the Reserve Bank of India said it will remain hawkish to keep inflation in check.

## **Oil prices dip after strong week.**

Oil prices fell in Asian trade on Monday as investors locked in some profits after stellar gains over the prior week, with focus now turning to any more developments in the Israel-Hamas war and cues from key industry reports.

Trading volumes were slim on account of market holidays across most of Asia, for the Chinese New Year.

Brent oil futures expiring in April fell 0.5% to \$81.78 a barrel, while West Texas Intermediate crude futures fell 0.6% to \$76.35 a barrel by 20:20 ET (01:20 GMT). Both contracts surged about 5% to 6% in the past week.

Oil prices rose sharply after Israel rejected a ceasefire proposal from Hamas and continued with its deadly air strikes on the Gaza Strip. The move pointed to little de-escalation in the conflict, and saw traders begin pricing in a greater risk premium from the war.

The Israel-Hamas war has been a key point of support for oil in recent months, especially as traders began pricing in the possibility of increased disruptions in global oil supplies by the conflict. Attacks by the Iran-aligned Houthi group in the Red Sea also spurred disruptions in shipping activity. Markets were now waiting for any more cues from the region

## Gold prices muted before inflation data.

Gold prices moved little in holiday-thinned Asian trade on Monday, with the yellow metal keeping to a trading range established over the past week as traders sought more cues from upcoming U.S. inflation data.

Among industrial metals, copper prices hit a near three-month low after KoBold Metals—a startup backed by Microsoft (NASDAQ:MSFT) founder Bill Gates, found a large copper deposit in Zambia that could form a major copper mine.

Waning expectations of early interest rate cuts by the Federal Reserve saw gold fall back into a \$2,000 to \$2,050 trading range in February, as markets began steadily pricing out chances of a rate cut in March and May.

A dearth of direct cues over the past week also gave gold few cues, with traders now looking to the upcoming consumer price index (CPI) data as the next big signal.

Spot gold fell 0.1% to \$2,023.48 an ounce, while gold futures expiring in April fell 0.1% to \$2,037.20 an ounce by 00:07 ET (05:07 GMT). Trading volumes in the two were muted on account of market holidays in China, Hong Kong, South Korea and Japan.

CPI data, Fed signals in focus

Gold is expected to see little action ahead of U.S. CPI data on Tuesday. While the reading is expected to show that inflation eased further in January, price pressures are still expected to remain well above the Fed's 2% annual target, giving the central bank more impetus to keep interest rates higher for longer.

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