MARKET UPDATE

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Asia FX stems losses as dollar consolidates.

Most Asian currencies moved little on Thursday as mild consolidation in the dollar offered some relief, while the Japanese yen firmed as expectations of government intervention offset data indicating an economic recession.

Regional currencies were still reeling from a hotter-than-expected U.S. inflation reading, which saw traders further scale back expectations of early interest rate cuts by the Federal Reserve.

A slew of Fed officials also warned that sticky inflation will keep the bank from easing interest rates early. The dollar surged to three-month highs earlier this week, but fell slightly in overnight trade.

The dollar index and dollar index futures both moved little in Asian trade, and remained within sight of their highest level since mid-November.

Yen losses limited by intervention watch; economy enters recession

The yen rose 0.2% on Thursday, but hovered around its weakest level since November. The currency also broke past the 150 level to the dollar earlier this week.

But further losses in the yen were held back by a slew of Japanese officials warning that they were watching for any drastic moves in the yen, which could herald some currency market intervention. Levels above 150 yen have attracted government intervention in the past.

Gold prices pause losses but remain pinned below $2,000.

Gold prices moved little in Asian trade on Thursday, remaining below key support levels as the prospect of higher for longer U.S. interest rates continued to diminish the yellow metal's appeal.

Bullion prices took some relief from mild losses in the dollar, which consolidated in overnight trade after racing to three-month highs earlier this week. The greenback is now likely to see more near-term gains, as traders began further scaling back expectations for early rate cuts by the Federal Reserve. A slew of Fed officials also warned that the central bank will keep rates higher if inflation remains sticky- a scenario that bodes poorly for gold. Higher rates push up the opportunity cost of investing in bullion.

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Oil prices extend losses on US inventory shock.

Oil prices fell in Asian trade on Thursday, extending losses after a substantially bigger-than-expected build in U.S. inventories pointed to well-supplied markets, while Japanese recession signals drove up concerns over slowing demand.

Crude prices had lost over $1 each on Wednesday after data showed U.S. oil inventories grew a staggering 12 million barrels in the week to February 9, much higher than expectations for a build of 3.3 million barrels.

The reading was driven chiefly by record-high U.S. production, indicating that the world's largest fuel consumer remained well-supplied with oil.

While gasoline and distillate inventories shrank, the drop was attributed largely to extended refinery shutdowns, due to maintenance activity. U.S. fuel demand was seen weakening in recent months amid adverse weather and increasing economic pressure from high inflation and interest rates.

Brent oil futures expiring in April sank 0.4% to $81.26 a barrel, while West Texas Intermediate crude futures fell 0.4% to $76.03 a barrel by 20:53 ET (01:53 GMT).

Weak economic data fuels demand concerns

The weak economic readings, coupled with recent indicators that U.S. interest rates will remain higher for longer in 2024, factored into concerns that cooling economic activity will keep oil demand subdued in the coming months.

A strong dollar also weighed on crude, with the greenback trading near three-month highs after data showed U.S. inflation remained sticky in January, giving the Federal Reserve more impetus to keep rates higher for longer.