

# MARKET UPDATE

**16/02/2024**

## **Gold prices retake \$2,000.**

Gold prices moved little in Asian trade on Friday after retaking a key level as weak U.S. retail sales data spurred some doubts over when the Federal Reserve will begin cutting interest rates.

Bullion prices rose back above the \$2,000 an ounce level on Thursday after breaking well below the level earlier in the week. Some safe haven demand- following data showing recessions in Japan and the UK- also aided gold prices.

But despite seeing some relief, the yellow metal was still set for steep weekly losses as traders largely scaled back expectations for early rate cuts, especially following hotter-than-expected consumer price index inflation data earlier this week.

Spot gold steadied at \$2,003.86 an ounce, while gold futures expiring in April steadied at \$2,015.55 an ounce by 00:14 ET (05:14 GMT). Both instruments were set to lose 1.1% this week- their worst week since early-December.

Fed's Bostic warns against early rate cut bets

Even after Thursday's retail sales reading, Fed officials still warned against betting on early rate cuts. Atlanta Fed President Raphael Bostic said that while the central bank had made headway towards lowering inflation, he was still not ready to call for rate cuts yet.

Bostic also said that inflation will take longer to decline. His comments came just ahead of producer price index inflation data, which is due later on Friday.

## **Asia FX muted amid rate cut uncertainty.**

Most Asian currencies moved little on Friday and were set for a muted weekly performance as markets remained largely convinced that the Federal Reserve will not cut interest rates early this year.

Regional currencies took little relief from overnight losses in the dollar, which fell from a three-month high after data showed an unexpected contraction in retail sales in January.

But the greenback curbed a bulk of its losses after Federal Reserve Bank of Atlanta President Raphael Bostic cautioned that it may take longer for the central bank to begin cutting interest rates, and that it was still unclear whether inflation would move back within its 2% annual target.

## Dollar set for fifth week of gains.

The dollar index and dollar index futures both rose 0.1% in Asian trade, and were up about 0.3% this week- their fifth consecutive week of gains. Bostic's comments also came just a few days after consumer price index data showed inflation unexpectedly picked up in January.

Producer price index inflation data and an address by San Francisco Fed President Mary Daly, which are due later in the day, are expected to offer more cues on the path of U.S. interest rates.

Still, the U.S. CPI data saw traders begin largely pricing out expectations that the Fed will cut rates by as soon as May, or June. This trade weighed on most Asian currencies and set them on course for muted weekly moves.

Waning bets on early interest rate cuts by the Fed had battered Asian markets at the beginning of the year, with regional currencies seeing little relief in the face of higher-for-longer U.S. rates.

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