

# MARKET UPDATE

**28/02/2024**

## **Asia FX dips before more inflation cues.**

Most Asian currencies moved in a flat-to-low range on Wednesday, while the dollar strengthened as markets positioned for more cues on the U.S. economy and interest rates due later in the week.

The New Zealand dollar was the worst performer for the day after the Reserve Bank of New Zealand (RBNZ) offered up less hawkish signals during a meeting on Wednesday.

Most other regional units also kept largely within a tight trading range established over the past two weeks, as a string of Federal Reserve officials signalled that the bank was in no hurry to begin cutting interest rates.

Dollar steadies near three-month highs, PCE inflation in sight

The dollar index and dollar index futures rose 0.1% each in Asian trade, as traders steadily priced out expectations of early interest rate cuts by the Fed.

Focus this week was squarely on PCE price index data- the Fed's preferred inflation gauge, for more cues on when the central bank could potentially begin trimming rates.

But the reading is expected to show inflation remaining sticky in January, with stubborn inflation being a key point of contention for the Fed.

## **Dollar firm with inflation data in focus.**

The dollar inched up as traders brushed off U.S. manufactured goods data and awaited the Federal Reserve's preferred measure of inflation for clues on when the central bank may start cutting interest rates.

Meanwhile, the Reserve Bank of New Zealand (RBNZ) held the cash rate steady and issued commentary seen as dovish, sending the kiwi tumbling to over a one-week low.

The Aussie was also hanging near its lowest in over a week after inflation data came in softer than expected, reinforcing expectations that domestic interest rates are unlikely to increase further.

In the U.S., orders for durable goods fell 6.1% last month, data showed on Tuesday, exceeding the 4.5% decline forecast by economists polled by Reuters.

However, markets were unfazed by the manufacturing figures, with eyes on U.S. core personal consumption expenditures (PCE) price index due on Thursday. Forecasts are for a 0.4% gain.

## Gold prices muted.

Gold prices moved in a flat-to-low range on Wednesday, extending their recent run of muted performance as anxiety over higher-for-longer U.S. interest rates persisted ahead of key economic readings.

The yellow metal remained squarely within a \$2,000 to \$2,050 trading range established over the past month, as any upside in gold was largely limited by a string of Federal Reserve warnings that the bank was in no hurry to begin trimming rates early in 2024. Strength in the dollar, which remained near three-month highs, also pressured gold prices.

Still, gold prices also remained firm above the key \$2,000 an ounce support level, indicating that fears of a global economic slowdown and geopolitical tensions in Russia and the Middle East were feeding some safe haven demand for the yellow metal.

Spot gold steadied at \$2,030.69 an ounce, while gold futures expiring in April fell 0.2% to \$2,039.45 an ounce by 00:20 ET (05:20 GMT).

PCE inflation, GDP data awaited for more cues

Markets were now awaiting key inflation and economic growth readings for more trading cues.

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