

MARKET UPDATE

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Asia FX weakens, dollar holds strong.

Most Asian currencies weakened on Friday, while the dollar retained overnight gains as signs of continued economic weakness in China largely offset optimism over easing U.S. inflation and interest rates.

Purchasing managers index (PMI) data from China showed little improvement in business activity through February, indicating that a recovery in Asia's largest economy remained sluggish.

This notion kept sentiment towards regional currency markets on edge, even as traders began pricing in a slightly higher chance of U.S. rate cuts after overnight inflation data.

Chinese yuan dips on mixed PMIs

The Chinese yuan fell 0.1% on Friday and remained in sight of recent three-month lows.

Official PMI data showed China's manufacturing sector shrank for a fifth straight month in February. The weak reading largely offset data showing some improvement in non-manufacturing activity, although this increase was largely due to higher consumer spending during the Lunar New Year holiday- a trend which may peter out in the coming months.

Gold prices close to breaking above \$2,050.

Gold prices steadied in Asian trade on Friday and were close to breaking above key levels as overnight data spurred hopes that easing inflation will spur interest rate cuts from the Federal Reserve.

Spot prices of the yellow metal were now close to breaking above a \$2,000 to \$2,050 an ounce trading range established through most of 2024.

But resilience in the dollar limited any further gains in gold, with the greenback rising in overnight trade and retaining most of its strength in the Asian session.

Spot gold steadied at \$2,043.64 an ounce, while gold futures expiring in April fell 0.1% to \$2,051.95 an ounce by 00:24 ET (05:24 GMT). Both instruments surged between 0.4% and 0.6% on Thursday, also benefiting from month-end buying after a largely muted performance through February.

Other precious metals also advanced on Friday. Platinum futures rose 0.3% to \$885.45 an ounce, while silver futures rose 0.3% to \$22.953 an ounce.



Oil rises, markets await OPEC+ decision.

Oil prices edged up on Friday and were set to end the week modestly higher as markets awaited an OPEC+ decision on supply agreements for the second quarter amid differing demand indicators for key consumers U.S. and China.

Brent futures for May climbed 31 cents, or 0.38%, to \$82.22 a barrel by 0645 GMT, while U.S. West Texas Intermediate (WTI) for April rose 24 cents, or 0.31%, to \$78.50.

WTI is on track for at least a 2.5% increase this week, while Brent is holding near last week's settlement price. Brent has hovered comfortably above the \$80 mark for three weeks.

"Brent crude prices continued to trade sideways this week... Brent at USD83/bbl has shown recent strength although fundamentals remain tilted to oversupply," said BMI analysts in a client note.

"Expectations of a continuation of OPEC+ production cuts into Q224 is also weighing on sentiment as soft demand is expected to persist... However, time spreads for Brent futures contracts have widened. The move to stronger backwardation (market structure) will be supportive of a more bullish stance for prices as markets are pricing in tightening in the months ahead," the analysts added.

A Reuters survey showed the Organization of the Petroleum Exporting Countries pumped 26.42 million barrels per day (bpd) this month, up 90,000 bpd from January. Libyan output rose month-on-month by 150,000 bpd.

A decision on extending the cuts is expected in the first week of March, sources have said, with individual countries expected to announce their decisions.

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