

MARKET UPDATE

07/03/2024

Gold extends rally.

Gold prices surged to a record high on Thursday, poised for their seventh consecutive daily rise, led by sluggish U.S. economic data and Federal Reserve Chair Jerome Powell's indications of potential rate cuts in the coming months should inflation alleviate.

Spot gold rose 0.3% to \$2,155.42 per ounce, as of 0723 GMT. U.S. gold futures added 0.2% to \$2,163.10.

Bullion continued its record-breaking rally, reaching an all-time high of \$2,161.09 earlier in the session and looked set for its longest intra-day winning streak since at least November 2021.

The marginal weakness in U.S. data gave gold a reason to rally, yet the magnitude of movement appears disproportionately large, possibly influenced by large futures buying that commenced on Friday, Marcus Garvey, head of commodities strategy team at Macquarie, said.

Gold got a boost on Wednesday after Powell indicated that interest rate cuts were likely in the coming months "if the economy evolves broadly as expected," along with further evidence of falling inflation. Powell will speak again later in the day.

Asian shares broadly higher.

Asian stocks were mostly up on Thursday as investors took comfort from growing signs the Federal Reserve will soon embark on rate cuts, while chatter of an imminent policy shift in Japan lifted the yen and pulled the Nikkei off its all-time highs.

Markets were also generally cautious ahead of the European Central Bank meeting later in the day. Both the EUROSTOXX 50 futures and FTSE futures were flat, while Nasdaq futures fell 0.4% and S&P futures slipped 0.2%.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5%. helped by a 1.4% jump in Taiwan's share market to record highs.

Japan's Nikkei slid 1.4%, after hitting a fresh all-time high earlier in the session, and the yen strengthened 0.5% to 148.61 per dollar, the highest in a month, as momentum builds that a move from the Bank of Japan to end negative interest rates could come as soon as this month.

Japanese workers' nominal pay in January grew 2% from a year earlier, data showed, accelerating from a gain of 0.8% the previous month.



European stocks fall ahead of ECB meeting.

European stock markets slipped lower Thursday, amid caution ahead of the latest European Central Bank rate-setting meeting.

At 03:10 ET (08:10 GMT), the DAX index in Germany traded 0.6% lower, the CAC 40 in France traded 0.6% lower and the FTSE 100 in the U.K. dropped 0.3%.

ECB meeting looms large

European equities have handed back some of the previous session's gains when investors took comfort from growing signs the Federal Reserve will soon embark on rate cuts.

Attention has now turned to the latest meeting of the ECB later in the session, with the central bank widely expected to keep interest rates at a record 4.0%.

Inflation has continued to fall in the eurozone, but policymakers are likely to repeat that they need more evidence inflation is under control and that ongoing wage increases will not give it persistence.

The ECB's new economic projections are likely to point to lower economic growth this year, while German factory orders fell 11.3% on the month in January, data showed earlier Thursday, illustrating the weakness in the eurozone's largest economy.

Interest rate futures are almost fully priced in for a first rate cut from the ECB in June, with a total easing of 88 basis points expected for all of this year.

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