

MARKET UPDATE

14/03/2024

Asia FX edges lower, dollar steady before PPI.

Most Asian currencies retreated on Thursday, while the dollar steadied from recent gains as markets sought more cues on U.S. interest rates from producer inflation and retail sales data due later in the day.

Regional currencies were still reeling from a stronger-than-expected U.S. consumer price index print earlier this week, which ramped up bets that the Federal Reserve will take its time in reducing interest rates.

Dollar steady as data dump comes before Fed meeting

The dollar index and dollar index futures steadied in Asian trade on Thursday after reversing some of their gains earlier this week.

Focus was largely on more inflation cues from producer price index and retail sales data, especially after Tuesday's hotter-than-expected CPI print.

Oil prices steady near 4-mth high.

Oil prices rose slightly in Asian trade on Thursday, staying near four-month highs after a substantial draw in U.S. gasoline inventories and debilitating attacks on a key Russian fuel refinery pointed to tighter fuel supplies.

The two factors saw crude prices shoot up more than 3% on Wednesday, with Brent and West Texas Intermediate crude futures settling at their highest levels since late-November.

Brent oil futures expiring in May rose 0.2% to \$84.21 a barrel, while WTI futures rose 0.2% to \$79.44 a barrel by 21:48 ET (01:48 GMT).

But despite strong gains, crude prices still remained within a \$75 to \$85 a barrel trading range established in recent months. More gains in oil prices were held back by concerns over weak Chinese demand and the prospect of higher-for-longer interest rates.

Russian fuel refinery attacks support oil prices

A key point of support for oil prices was Ukrainian drone attacks on a major Russian fuel refinery, which reportedly put the facility out of commission.

The move is expected to limit Russia's fuel output, and also comes amid already tight gasoline markets in the country.

Gold prices consolidate before more rate cues.

Gold prices fell slightly in Asian trade, but kept recent record highs in sight as markets awaited more cues on U.S. interest rates from upcoming producer price index and retail sales data.

Among industrial metals, copper prices also retreated in Asian trade, but remained closed to 11-month highs after reports of production cuts by Chinese smelters pointed to tighter markets.

Broader metal markets were pressured by some resilience in the dollar before the economic data.

Gold prices hover below record highs with more rate cues on tap

Spot gold fell 0.2% to \$2,171.06 an ounce, while gold futures expiring in April fell 0.3% to \$2,175.35 an ounce by 01:27 ET (05:27 GMT).

Bullion prices had surged to record highs of around \$2,200 an ounce at the beginning of the week, but saw swift consolidation after hotter-than-expected consumer price index data put fears of high interest rates back into markets.

The strong CPI reading saw focus turn squarely towards upcoming readings on PPI inflation and retail sales, due later on Thursday. The two are widely expected to factor into the Federal Reserve's outlook on interest rates.

The data prints also come before a Fed meeting next week, where the central bank is widely expected to keep rates steady and signal no immediate plans to begin loosening policy.

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