

MARKET UPDATE

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Asia FX falls before a Federal Reserve meeting this week.

Most Asian currencies fell on Tuesday as traders remained on edge before a Federal Reserve meeting this week, while the Japanese yen (USDJPY) weakened sharply after a historic rate hike by the Bank of Japan.

The dollar firmed in Asian trade, seeing more inflows as uncertainty before the Fed and somewhat dovish signals from the BOJ kept markets biased largely towards the greenback.

BOJ hikes rates, but USDJPY surges on accommodative outlook

The yen weakened sharply after the BOJ's first rate hike in 17 years, with the USDJPY pair surging as far as 150.

The BOJ raised interest rates by 0.1%, bringing them to neutral territory after nearly a decade of negative rates. The bank also signalled an end to its yield curve control and asset purchase policies.

But the central bank also said that uncertainty over the Japanese economy will keep monetary conditions largely accommodative for the "time being." Its rate hike on Tuesday, while historic, also marks only a marginal move away from its ultra-dovish stance.

Gold prices hover above \$2,150 ahead of Fed meeting.

Gold prices fell slightly in Asian trade on Tuesday, but remained above key support levels as markets remained largely averse towards precious metals before a key Federal Reserve meeting this week.

Among industrial metals, copper prices inched lower, but remained in sight of 11-month highs after a stellar rally over the past three sessions.

Bullion prices recovered some lost ground this week, retaking the \$2,150 an ounce support level on Monday as uncertainty over the Fed's stance persisted. But the yellow metal also remained well below record highs hit earlier in March.

Spot gold fell 0.1% to \$2,158.26 an ounce, while gold futures expiring in April fell 0.1% to \$2,161.35 an ounce by 01:30 ET (05:30 GMT).



Oil slips as Russia lifts supplies.

Oil prices dipped on Tuesday due in part to the prospect of rising supply from Russia, slower-than-expected downstream demand in sectors such as jet fuel, and cautious trading ahead of the Fed's decision on U.S. interest rates.

The Brent crude oil futures contract for May delivery slipped 15 cents to \$86.74 a barrel as at 0708 GMT, while U.S. West Texas Intermediate (WTI) prices fell 13 cents to \$82.03. The WTI April contract, with expires tomorrow, fell 13 cents to \$82.59.

Both benchmarks reached four-month highs in the previous session, buoyed by lower crude exports from Saudi Arabia and Iraq and signs of stronger demand and economic growth in China and the U.S.

Regarding Russia, supply concern stemming from increased exports following Ukrainian attacks on the country's oil infrastructure continued to pressure prices downward.

"Attacks will likely reduce Russian crude runs by up to 300 kbd (thousand barrels per day), in addition to scheduled maintenance closures... Lower primary runs, however, would lead to higher crude oil exports, helping Russia to simultaneously achieve output cuts while keeping exports flat," JP Morgan analysts wrote in a client note.

Russia will increase oil exports through its western ports in March by almost 200,000 barrels per day (bpd) against a monthly plan for 2.15 million bpd.

Prices were weighed down by uncertainty about how U.S. interest rates would pan out ahead of the Federal Reserve meeting on March 20 at 1800 GMT.

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