

MARKET UPDATE

22/03/2024

Asia FX sinks as dollar surges to 3-week high.

Most Asian currencies fell sharply on Friday, coming under pressure from a rebound in the dollar as an unexpected interest rate cut by the Swiss National Bank pushed currency traders squarely into the greenback.

The dollar surged to a three-week high in Asian trade, extending a strong rebound from Thursday as the SNB rate cut saw traders largely look past signals on interest rate cuts from the Federal Reserve.

Dollar strong at 3-week high as SNB cut overshadows Fed outlook

The dollar index and dollar index futures rose 0.8% and 0.2%, respectively in Asian trade on Thursday. Outsized gains in the dollar index signaled more immediate demand for the greenback.

Both dollar indicators surged on Thursday after the SNB unexpectedly cut interest rates, becoming the first major central bank to do so after an extended hiking cycle in the wake of the COVID-19 pandemic.

This left the dollar as the only low-risk, high-yielding currency in the interim. The greenback also benefited from a dovish outlook from the Bank of England on Thursday, which saw traders dump the pound in favor of the dollar.

A positive outlook for the U.S. economy also favored flows into the dollar. The Fed sharply upgraded its outlook for growth in 2024.

Gold prices fall further from record highs.

Gold prices fell in Asian trade on Friday, retreating further from record highs hit this week as a sharp uptick in the dollar, following a surprise interest rate cut by the Swiss National Bank, pressured metal markets.

The yellow metal had surged to record highs above \$2,200 an ounce after the Federal Reserve maintained its outlook for at least three interest rate cuts in 2024. But the yellow metal spent little time at these highs, as the dollar rebounded sharply on dovish signals from other major central banks.

Spot gold fell 0.4% to \$2,173.62 an ounce, while gold futures expiring in April fell nearly 0.5% to \$2,174.90 an ounce by 00:28 ET (04:28 GMT).



Oil slips on possible Gaza ceasefire.

Oil prices slipped on Friday on the possibility of a nearing Gaza ceasefire that could ease geopolitical concerns in the Middle East, while a stronger dollar and faltering U.S. gasoline demand also weighed on prices.

Brent crude futures fell 53 cents, or 0.6%, to \$85.25 a barrel by 0651 GMT. U.S. crude futures shed 52 cents, or 0.6%, to \$80.55 per barrel.

Both contracts are set to end the week flat or down slightly after rising more than 3% last week.

Oil was trading lower on reports of a U.N. draft resolution calling for a ceasefire in Gaza and as another round of profit-taking kicked in, IG analyst Tony Sycamore said.

"A ceasefire would help calm fears that the situation in Gaza might spread more broadly across the region," he said. "Additionally, it may encourage the Houthis to stand down and allow oil tankers to pass through the Red Sea, which would also be a positive development in terms of helping to balance out the supply and demand dynamics."

U.S. Secretary of State Antony Blinken said on Thursday he believed talks in Qatar could reach a Gaza ceasefire agreement between Israel and Hamas.

Blinken met Arab foreign ministers and Egypt's President Abdel Fattah El-Sisi in Cairo as negotiators in Qatar centred on a truce of about six weeks.

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