

MARKET UPDATE

26/03/2024

Asia FX muted with more inflation.

Most Asian currencies tread water on Tuesday, taking little cheer from a softer dollar as traders remained cautious ahead of more cues on U.S. inflation and the Federal Reserve this week.

Particular focus was on the Chinese yuan, which hovered near its weakest level in four months after a bruising sell-off last week. Measures by the People's Bank of China so far appeared to be providing little support to the currency.

Chinese yuan (USDCNY) breaks past 7.2, intervention in focus

The Chinese yuan weakened on Tuesday, with the USDCNY pair rising 0.1% to 7.2178- its highest level since mid-November. The offshore yuan's USDCNH pair fell 0.1% but remained well above the psychologically important 7.2 level.

Weakness in the yuan came even as the PBOC set a stronger-than-expected midpoint, and was seen instructing local banks to buy yuan and sell dollars on the open market.

Oil trades little changed.

Oil was little changed on Tuesday, after rising in the previous session, as investors took a more mixed view toward the loss of Russian refinery capacity after recent Ukrainian attacks, though a slightly weaker U.S. dollar offered some support.

Brent crude futures for May slipped 6 cents to \$86.69 a barrel, while U.S. West Texas Intermediate (WTI) crude futures fell 4 cents to \$81.91 a barrel at 0701 GMT.

Brent rose 1.5% in Monday's session while WTI gained 1.6% higher after Russia's government ordered companies to cut output in the second quarter to meet a 9 million barrels per day (bpd) target to comply with pledges to the OPEC+ consumer group.

Russia, a top three global oil producer and one of the largest exporters of oil products, is also contending with recent attacks on its oil refineries by Ukraine that Goldman Sachs analysts said has knocked about 900,000 bpd of capacity offline, possibly for weeks and even in some cases permanently.

"The impact of refining disruptions on crude prices is mixed, with a bearish effect from the decline in refinery demand and a bullish effect from the potential reduction in Russia oil exports," the analysts said in a note.

Bitcoin price today steady above \$70k.

Bitcoin price rose on Tuesday, remaining above key levels and in sight of record highs amid anticipation of the upcoming halving event, although signs of capital outflows and sluggish on-chain activity suggested that the token's stellar rally could be slowing.

Bitcoin was trading up 4.5% in the past 24 hours at \$70,548.1 by 01:03 ET (05:03 GMT). The world's largest cryptocurrency was now about \$3,000 away from a record high hit earlier in March.

Relative strength in the dollar, ahead of more cues on U.S. inflation and the Federal Reserve, limited more gains in the token.

But Bitcoin recovered sharply from lows of around \$60,000 hit last week, largely on anticipation of the halving event, which will see new supply of the token slashed by 50%. The event is set to occur some time in April with the generation of the 740,000th block.

Bitcoin price upbeat, but ETFs see record outflows

Data from digital asset management firm CoinShares showed on Monday that digital asset investment products, such as exchange-traded funds, saw a record-high outflow of nearly \$1 billion in the week to March 23.

Of the outflows, a bulk were driven by traders pulling out of Grayscale products, specifically its Grayscale Bitcoin Trust (NYSE:GBTC) ETF. Overall capital outflows from Bitcoin also amounted to about \$904 million.

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