# MARKET UPDATE

**02/04/2024**

## Dollar ascendant as Fed cut bets pared.

The U.S. dollar hovered near a 4-1/2-month peak against major peers on Tuesday as traders rushed to push back bets for the Federal Reserve's first interest rate cut this year.

The dollar renewed a six-week high versus the euro and was on the cusp of doing the same against sterling, after U.S. data from Monday unexpectedly showed the first expansion in manufacturing since September 2022.

Fears of intervention by Japanese officials slowed the dollar's gains against the yen, however, even as long-term U.S. Treasury yields - which the currency pair tends to track - jumped to a two-week top overnight. [US/]

Gold, which performs best when yields are falling, found its feet after getting knocked back from a record peak on Monday.

The U.S. rate futures market now factors in 61.3% odds of a Fed rate cut in June, down from about 70.1% probability a week ago, according to the CME's FedWatch tool.

## Asian shares up.

Asian stocks rose on Tuesday while the dollar firmed, keeping the yen rooted near the 152-per-dollar level that has traders worried about possible intervention, as expectations the Federal Reserve was close to cutting interest rates faded.

Data on Monday showed U.S. manufacturing grew for the first time in 1-1/2 years in March as production rebounded sharply and new orders increased, highlighting the strength of the economy and casting doubts on the timing of Fed rate cuts.

The robust manufacturing data sent yields on U.S. Treasuries higher, with two-year and 10-year yields climbing to two-week peaks, boosting the dollar.

Futures indicated European stock markets were set for a subdued open, with Eurostoxx 50 futures up 0.10%, German DAX futures up 0.02% and FTSE futures 0.07% higher.

Japan's Nikkei was volatile. It reclaimed the 40,000 points mark in the morning session but was last flat, below the mark.

The yen was slightly weaker at 151.76 per dollar, not too far from the 34-year low of 151.975 it touched last week, with traders keenly watching for hints of intervention from Japanese authorities.



+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

# Oil gains on expectations for higher demand.

Oil prices rose on Tuesday, underpinned by signs that demand may improve China and the U.S., the world's biggest oil consuming nations, and growing concerns of a widening conflict in the Middle East that could affect supply from region.

Brent futures for June delivery rose 58 cents to $88 a barrel by 0641 GMT. U.S. West Texas Intermediate (WTI) crude futures for May rose 58 cents to $84.29 a barrel, after reaching the highest close for a front month contract since Oct. 27 in the previous session.

"The bullish catalysts for oil prices continue to pile up, with stronger-than-expected economic conditions in China and the U.S. offering a more optimistic demand outlook, while geopolitical tensions in the Middle East continue to heat up with the involvement of Iran," said IG market strategist Yeap Jun Rong in an email.

Manufacturing activity in March in China expanded for the first time in six months and in the U.S. for the first time in 1-1/2 years, which should translate to rising oil demand this year. China is the world's largest crude importer and second-largest consumer while the U.S. is the biggest consumer.

In the Middle East, an Israeli strike on Iran's embassy in Syria killed seven military advisors, among them three senior commanders, marking an escalation in the war in Gaza between Israel and Hamas, which is supported by Iran.





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