

# MARKET UPDATE

05/04/2024

## Yen steadies while dollar rises before nonfarm payrolls.

Most Asian currencies moved little on Friday with the Japanese yen steadying near two-week highs, while the dollar rose as anticipation of key nonfarm payrolls data spurred more caution over U.S. interest rates.

Hawkish comments from Federal Reserve officials also supported the greenback, after Minneapolis Fed President Neel Kashkari said that sticky inflation could see the central bank not cut interest rates at all in 2024.

His comments, which came after a string of similar signals from other Fed officials, sparked steep losses on Wall Street and kept traders largely wary of risk-driven assets.

### Dollar recovers as nonfarm payrolls loom

The dollar index and dollar index futures rose 0.2% each in Asian trade on Friday, recovering from steep losses earlier in the week as anticipation of nonfarm payrolls data saw traders turn back towards the greenback.

Inflation and labor market strength are the Fed's two biggest considerations for cutting interest rates this year. But inflation has turned sticky in recent months, while payrolls data has also consistently topped market expectations.

## Gold prices fall from record highs.

Gold prices fell in Asian trade on Friday, retreating from recent record peaks in anticipation of key U.S. labor data that is likely to factor into the outlook for interest rates.

A key technical indicator for spot gold prices also showed that buying momentum was running dry after a strong run-up through March and early-April.

Still, the yellow metal may benefit from increased safe haven demand, especially with the prospect of worsening geopolitical conditions in the Middle East amid saber rattling between Iran and Israel.

Spot gold fell 0.6% to \$2,277.10 an ounce after hitting a record high of \$2,305.31 on Thursday, while gold futures expiring in June fell 0.6% to \$2,295.50 an ounce by 00:03 ET (04:03 GMT), after hitting a record high of \$2,325.30 an ounce on Thursday.

## Oil prices hit over 5-mth high on Israel-Iran tensions.

Oil prices hit more than five-month highs in Asian trade on Friday and were set for their best week in two months on the prospect of worsening geopolitical conditions in the Middle East, especially amid increased saber rattling between Israel and Iran.

A broader outbreak of war in the Middle East potentially heralds more supply disruptions for oil, and could further tighten markets in the coming months. Expectations of tight markets were furthered by the Organization of Petroleum Exporting Countries and allies (OPEC+) maintaining its current pace of production cuts.

On the demand front, improving economic readings from top importer China saw traders turn more optimistic over stronger oil imports in the country this year.

Brent oil futures expiring in June rose 0.4% to \$91.02 a barrel- reaching levels last seen in mid-October, while West Texas Intermediate crude futures rose 0.3% to \$86.08 a barrel by 21:19 ET (01:19 GMT).

Oil prices head for bumper week on prospect of Israel-Iran war

Brent and WTI futures were set to gain between 4.5% and 5% this week- their best performance since early-February.

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