

MARKET UPDATE

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Gold prices rise, record highs in sight.

Gold prices rose in Asian trade on Monday and were in sight of record highs as demand for safe havens was boosted by Iran's attack on Israel, although strength in the dollar limited major gains in the yellow metal.

Markets were also waiting to see just how Israel would respond to Iran's strike, given that the attack caused limited damage, and that Tehran also said the move concluded its offensive against Israel. This helped limit some safe haven demand.

Spot gold rose 0.6% to \$2,357.81 an ounce after hitting a record high of \$2,372.62 an ounce over the weekend, while June gold futures steadied at \$2,373.0 an ounce after hitting a record high of \$2,389.0 an ounce.

Safe haven demand underpins gold prices

The biggest point of support for gold prices was a drone and missile strike by Iran against Israel over the weekend, in supposed retaliation for an attack on an Iranian embassy in Syria.

The U.S. also appeared to be making attempts to deescalate the situation, stating that it will not engage in any retaliatory action against Iran.

Asia FX weak as Iran-Israel jitters boost dollar.

Most Asian currencies weakened on Monday with the Japanese yen testing new 34-year lows, while increased safe haven demand, in the wake of an Iranian strike on Israel, put the dollar at more than five-month highs.

The dollar was also boosted by the prospect of higher-for-longer U.S. interest rates, following strong inflation readings and hawkish Federal Reserve signals from last week.

Sentiment towards Asia was further dulled by weak economic prints from China. China's disinflation worsened in March, while export and import figures missed expectations for the month.

Japanese yen weak, USDJPY blows past 153

The yen was among the worst performers for the day, with the USDJPY pair rising 0.3% to a 34-year high of 153.77. The currency, which usually benefits from increased safe haven demand, was largely supplanted by gold and the dollar as a risk-averse trade.



Oil prices fall after Iran attack.

Oil prices fell during trade on Monday, as market participants dialled back risk premiums following Iran's attack on Israel late on Saturday which the Israeli government said caused limited damage.

Brent futures for June delivery fell 23 cents, or 0.2%, to \$90.22 a barrel while West Texas Intermediate (WTI) futures for May delivery were down 29 cents, or 0.3%, at \$85.37 a barrel by 0430 GMT.

The attack involving more than 300 missiles and drones was the first on Israel from another country in more than three decades, raising concerns about a broader regional conflict affecting oil traffic through the Middle East.

But the attack, which Iran called retaliation for an air strike on its Damascus consulate, caused only modest damage, with missiles shot down by Israel's Iron Dome defence system. Israel, which is at war with Iran-backed Hamas militants in Gaza, has neither confirmed nor denied it struck the consulate.

"An attack was largely priced in the days leading up to it. Also the limited damage and the fact that there was no loss of life means that maybe Israel's response will be more measured," said Warren Patterson, head of commodities strategy at ING.

"But clearly, there is still plenty of uncertainty and it all depends on how Israel now responds."

As Iran currently produces over 3 million barrels per day (bpd) of crude oil as a major producer within the Organization of the Petroleum Exporting Countries (OPEC), supply risk includes more strictly enforced oil sanctions and that Israel's response could include targeting Iran's energy infrastructure, ING said in a client note on Monday.

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