MARKET UPDATE

10/05/2024

Gold prices rise, set for weekly gains.

Gold prices rose in Asian trade on Friday, extending overnight gains as more signs of a cooling U.S. labor market weighed on the dollar and Treasury yields, benefiting prices of the yellow metal.

Bullion prices were now set to break a two-week losing spree, as some safe haven demand also remained in play amid bets that Israel and Hamas will not reach a ceasefire deal. Reports of fresh U.S. trade tariffs on China also sparked some safe haven demand.

Spot gold rose 0.3% to $2,354.06 an ounce, while gold futures expiring in June jumped 0.9% to $2,360.75 an ounce by 00:53 ET (04:53 GMT).

Gold prices head for weekly gains amid some rate cut hopes

Spot prices were set to add more than 2% this week- their first positive week in three. But they still remained well below record highs hit in late-April.

Asia FX weak with US inflation in sight.

Most Asian currencies moved little on Friday as the dollar steadied from overnight declines, with focus turning squarely towards key U.S. inflation data due next week, which is likely to provide more cues on interest rates.

The Chinese yuan declined, as did currencies with trade exposure to China after multiple reports said that the U.S. was preparing more trade tariffs on Beijing.

Regional currencies took little support from an overnight decline in the dollar, as more signs of a cooling labor market reinforced bets that the Federal Reserve will cut rates in September.

But the dollar steadied in Asian trade, pressuring regional currencies as uncertainty ahead of key U.S. inflation data next week kept traders largely biased towards the greenback.

The Chinese yuan's USDCNY pair rose 0.1% as multiple reports said U.S. President Joe Biden was considering imposing fresh sanctions on certain Chinese industries, such as electric vehicles and batteries.

While the economic impact of the tariffs was unclear, such measures could attract retaliation from China, further souring ties between the world's two biggest economies.

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Oil set for weekly gain.

Oil rose on Friday, set for a weekly gain, as data this week from the U.S. and China, the world's two largest crude users, pointed to higher demand and continuing uncertainty over the Gaza war supported prices.

Falling U.S. crude inventories spurred by higher refinery runs coincided with data released on Thursday showing China's oil imports in April were higher than last year on signs of improving trade activity. Negotiations to halt the fighting between Israel and Hamas have yielded no results, keeping alive concerns of potential Middle East supply disruptions.

Brent futures rose 59 cents, or 0.7%, to $84.47 a barrel at 0635 GMT and are set for a weekly gain of 1.8%. U.S. West Texas Intermediate crude climbed 65 cents, or 0.8%, to $79.91, and set for a weekly increase of 2.3%.

China's exports and imports returned to growth in April after contracting in the previous month, signalling an improvement in demand.

"Ongoing signs of strength in demand in China should see commodity market remain well supported," ANZ Research said in a note.

Israeli forces bombarded the city of Rafah in the Gaza Strip on Thursday, Palestinian residents said on Thursday, while an Israeli official said indirect negotiations with Hamas had ended. As the conflict continues, it raises the potential for other Middle Eastern countries to become involved, particularly Hamas' main supporter Iran, a key producer.