

MARKET UPDATE

20/05/2024

Asia FX muted, dollar steady.

Most Asian currencies weakened slightly on Monday, while the dollar steadied as traders awaited more cues on interest rates from the Federal Reserve this week.

The Japanese yen remained fragile after reversing a bulk of its gains made on likely currency market intervention by the government earlier in May. But further losses in the yen were stymied by the potential for more intervention.

Broader currencies weakened slightly as traders remained on edge over the path of U.S. interest rates.

Chinese yuan weak as PBOC keeps LPR unchanged

The Chinese yuan's USDCNY pair rose 0.1% after the People's Bank kept its benchmark loan prime rate unchanged at record lows.

While sentiment towards China improved over the past week amid more stimulus and policy support from Beijing, the yuan saw little strength as increased stimulus in the country pointed to more downward pressure on the currency.

Gold prices hit record high.

Gold prices hit a record high in Asian trade on Monday as increased geopolitical tensions in the Middle East boosted safe haven demand, while a broader rally across metal markets also spilled over into the yellow metal.

Spot gold rose nearly 1% to a record high of \$2,440.56 an ounce, while gold futures expiring in June hit a record high of \$2,444.55 an ounce.

Middle East stability in focus after Iran helicopter crash

Media reports over the weekend showed that a helicopter carrying Iranian President Ebrahim Raisi and his foreign minister crashed amid bad weather conditions on Sunday.

Rescue efforts were underway, but Reuters quoted Iranian officials stating that their lives were at risk.

Raisi was seen as a contender to become Iran's next supreme leader, and was also regarded as a major hardliner on cracking down against domestic protests and implementing more morality laws.

Oil prices climb.

Oil prices rose in early Asian trading on Monday, adding to last week's gains as rescuers searched for Iran's president after a helicopter crash in the oil-producing nation and after the U.S. bought crude to help refill the national stockpile.

Brent rose 26 cents, or 0.3% to \$84.24 a barrel by 0049 GMT. U.S. West Texas Intermediate crude (WTI) gained 15 cents, or 0.2% to \$80.21 a barrel.

Brent had ended the previous week up about 1%, its first weekly gain in three weeks, while WTI rose 2% on improved economic indicators from the U.S. and China, the world's largest oil consumers.

A helicopter carrying Iranian President Ebrahim Raisi crashed on Sunday, an Iranian official told Reuters. The lives of President Raisi and foreign minister Hossein Amirabdollahian were at risk, the official said.

Despite the volatility in the region, oil prices moved only slightly.

"The oil market remains largely rangebound and without any fresh catalyst we will likely have to wait for clarity around OPEC+ output policy in order to break out of this range," said Warren Patterson, head of commodities strategy at ING.

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