

MARKET UPDATE

22/05/2024

Oil drops for third day.

Oil prices fell over 1% on Wednesday, retreating for a third straight day on expectations the Federal Reserve might keep U.S. interest rates higher for longer due to sustained inflation, potentially impacting fuel use in the world's largest consumer.

The market also slipped as U.S. crude oil and gasoline inventories rose last week, according to market sources citing American Petroleum Institute (API) figures on Tuesday. Analysts expected them to decline.

Brent crude futures were down \$1.03, or 1.2%, to \$81.85 a barrel, while U.S. West Texas Intermediate crude (WTI) dropped \$1.25, or 1.6%, to \$77.41 as of 0802 GMT.

"The view on the fundamental outlook remains grim," said Tamas Varga of oil broker PVM, adding that "the timing of a Fed rate cut is ambivalent at best".

Oil settled about 1% lower on Tuesday.

Physical crude markets have been weakening and in another sign that concern of tight prompt supply is easing, the premium of Brent's first-month contract over the second, known as backwardation, is close to its lowest since January.

Stocks slip on inflation jitters.

Share markets fell on Wednesday as stronger-than-expected inflation in Britain offset investor hopes that AI-heavyweight Nvidia (NASDAQ:NVDA) could meet sky-high expectations, with the market also waiting for possible clues on when the U.S. Federal Reserve will begin to bring down interest rates.

European stocks dipped 0.3% in early trading, after earlier being poised for slim gains. Britain's FTSE 100 led losses among regional markets with an 0.6% drop.

Inflation in Britain fell by less than expected in April and a key core measure barely dropped, sparking a jump in the pound and in British government bond yields, as well as prompting investors to cut their bets on a Bank of England interest rate cut in June.

The data underscored jitters over whether central banks would move as quickly as markets hope to reduce interest rates.

Still, investors awaited an earnings report from U.S. artificial intelligence-heavyweight Nvidia,

Gold prices retreat from record highs.

Gold prices fell in Asian trade on Wednesday, pulling back further from record highs as anxiety over high U.S. interest rates grew ahead of more cues from the Federal Reserve.

Losses extended into industrial metals, with copper prices pulling back further from recent record highs as a speculative frenzy in the red metal cooled ahead of more cues on physical supply and overall demand.

A steady dollar also weighed on metal prices, while safe haven demand for gold cooled amid little signs of worsening geopolitical conditions in the Middle East, after the Iranian President was killed in a helicopter crash.

Spot gold fell 0.2% to \$2,415.61 an ounce, while gold futures expiring in June fell 0.3% to \$2,418.75 an ounce by 00:23 ET (04:23 GMT). Spot prices still remained in sight of their recent peak of \$2,450.06 an ounce.

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