

MARKET UPDATE

23/05/2024

Dollar near one-week high.

The dollar hovered near a one-week high on Thursday after its biggest daily percentage gain this month against a basket of peers a day before as minutes of the last Fed meeting revealed a willingness to raise interest rates among some officials,

The pound was unmoved by the announcement of a British election, having jumped to a two-month peak following hotter-than-expected inflation on Wednesday, while the New Zealand dollar continued its climb as an unexpected rise in local retail sales added to hawkish guidance from the central bank pushing back bets for rate cuts.

The dollar index, which tracks the currency against six major rivals including sterling, the euro and yen, was a whisker higher at 104.93 after gaining 0.28% the day before.

Fed officials at their April 30-May 1 session indicated they still had faith that price pressures would ease, if only slowly, but the meeting summary also reflected discussion of possible tightening, the minutes released Wednesday showed.

Oil prices fall for fourth straight day.

Oil prices eased for a fourth straight session on Thursday after the minutes of a U.S. Federal Reserve meeting revealed discussions of a further tightening of interest rates if inflation remained sticky, a move that could hurt oil demand.

Brent crude futures fell 20 cents, or 0.2%, to \$81.70 a barrel at 0651 GMT. U.S. West Texas Intermediate crude (WTI) futures were down 29 cents, or 0.4%, at \$77.28. Both benchmarks fell more than 1% on Wednesday.

Minutes released on Wednesday from the Federal Reserve's last policy meeting showed the U.S. central bank's response to sticky inflation would "involve maintaining" its policy rate for now but also reflected discussion of possible further hikes.

"Various participants mentioned a willingness to tighten policy further should risks to inflation materialize in a way that such an action became appropriate," minutes of the Fed's meeting said.

Higher interest rates boost borrowing costs, crunching funds that could boost economic growth and oil demand in the world's largest oil consuming nation.



Dow Jones at 60,000 by 2030?.

The Dow Jones Industrial Average (DJIA) on Friday closed above the 40,000 threshold for the first time ever, driven by the latest leg up in the stock market rally after softening inflation data rekindled investor optimism about rate cuts.

Although the benchmark index has been trading below that historic level in the past few days, analysts at Yardeni Research maintain an optimistic stance about Dow's long-term prospects, reiterating their target of 60,000 by 2030.

“Along the way, there could be corrections and even another bear market. But we expect that earnings growth, supported by productivity gains, will drive the stock market higher over the rest of the decade,” analysts wrote.

“Just for fun, we drew some trend lines on a chart of the DJIA and stumbled on a channel starting around 2010 that can be extrapolated to a range of 45,800 to 76,700 by the end of the decade. The mid-point is 61,250. Mark your calendars!” they added.

Yardeni notes that, according to Dow Theory, the recent rise of the DJIA to a new high may not be sustainable unless it is confirmed by the Dow Jones Transportation Average (DJTA), which remains below its record high.

They believe that leaner business inventories will soon boost demand for transporting goods, and relatively stable fuel prices will benefit transport companies and their stocks.

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