

MARKET UPDATE

24/05/2024

Gold prices steady but head for steep weekly losses.

Gold prices steadied in Asian trade on Friday, but were nursing steep declines through the week as concerns over high for longer U.S. interest rates dragged the yellow metal from record highs.

Rate fears pushed up the dollar and also weighed on broader metal prices. Among industrial metals, copper prices were also nursing a steep decline from record highs this week.

Gold was also hit by waning safe haven demand, as the death of the Iranian President did not ramp up tensions in the Middle East as initially expected.

Spot gold rose 0.2% to \$2,332.77 an ounce, while gold futures expiring in June fell 0.1% to \$2,333.85 an ounce by 00:37 ET (04:37 GMT).

Gold nurses steep weekly losses on rate jitters

Gold was set to lose about 3.4% this week, as it plummeted from record highs hit at the beginning of the week.

Dollar gains as traders trim US rate cut.

The dollar headed for its largest weekly rise in a month and a half on Friday as surprisingly strong U.S. economic data has left markets on edge about the outlook for U.S. inflation and interest rates.

May figures showed U.S. business activity accelerated to the highest level in just over two years and manufacturers reported surging input prices, prompting a pullback in U.S. interest rate cut expectations and a rise in government bond yields.

The dollar is up almost 1% this week on the Japanese yen to 157.11 yen, even though Japanese government bond yields have climbed too, scaling decade highs and clearing 1% at the ten-year tenor. [JP/]

Japan's core inflation slowed for a second straight month in April, meeting market expectations - and staying above the central bank's target - at 2.2%.

Asia FX nurses losses as dollar hits 10-day high.

Most Asian currencies fell on Friday and were nursing steep losses against the dollar as hawkish signals on inflation and interest rates saw traders further price out expectations for rate cuts in 2024.

Sentiment towards Asian markets was also rattled by signs of a resurgent U.S.-China trade war, while the People's Liberation Army was seen conducting extended military drills near Taiwan, ramping up tensions with Taipei.

Dollar at 10-day high as Sept rate cut bets ease

But the biggest source of pressure on Asian currencies was a rebound in the dollar, with the dollar index and dollar index futures steadying at 10-day highs on Friday.

The minutes of the Federal Reserve's late-April meeting, coupled with several hawkish comments from Fed officials, saw investors grow more wary of sticky inflation, which could in turn delay any plans by the central bank to begin trimming interest rates.

This saw traders largely price out expectations for an interest rate cut in September.

The CME Fedwatch tool showed traders were pricing a nearly equal probability of a cut and a hold- around 46%- in September. Earlier expectations had shown an over 50% chance of a cut.

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