

MARKET UPDATE

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Gold prices rise slightly after weekly losses.

Gold prices rose slightly in Asian trade on Monday, recouping some of last week's losses as traders remained cautious towards metal markets ahead of a key U.S. inflation reading this week.

Broader trading volumes were also subdued on account of market holidays in the UK and the U.S., while anticipation more cues on U.S. interest rates also deterred big bets.

Among industrial metals, copper prices also rose, recovering after a tumble from record highs last week.

Spot gold rose 0.4% to \$2,343.23 an ounce, while gold futures expiring in June rose 0.4% to \$2,344.10 an ounce by 00:33 ET (04:33 GMT). Spot prices were also nursing a tumble from record highs.

PCE test looms as waning rate cut bets batter gold

Focus this week was squarely on PCE price index data- the Federal Reserve's preferred inflation gauge. The reading is due on Friday.

Dollar firm ahead of global inflation data.

The dollar made a steady start to the week, as investors were focused on U.S., European and Japanese inflation data to guide the global interest rate outlook.

Foreign exchange trade has been dominated by the hunt for "carry" in recent months, punishing low-rate currencies and supporting the dollar while U.S. data has blown hot and cold and dented policymakers' confidence on the rates outlook.

Several major pairs have hugged tight ranges. The euro, which gained 0.9% on the dollar last week, was in the middle of a range it has held for more than a year at \$1.0846. Trading on Monday was thinned by holidays in Britain and the United States.

German inflation on Wednesday and euro zone readings on Friday will be watched for confirmation of a European rate cut that traders have priced for next week.

Sterling was testing the top side of a range it has held this year at \$1.2735. The Australian and New Zealand dollars have eased from recent highs, leaving the Aussie at \$0.6626 and the kiwi at \$0.6122 as markets have dialled back interest rate cut expectations for the U.S.

Asia shares nudge higher.

Asian shares firmed on Monday as investors braced for a busy run of inflation data that could set the scene for a European rate cut as soon as next week and a U.S. policy easing within just a few months.

Holidays in Britain and the United States made for thin trading ahead of Friday's figures on core personal consumption expenditures (PCE), the Federal Reserve's preferred measure of inflation.

Median forecasts are for a rise of 0.3% in April, keeping the annual pace at 2.8%, with risks on the downside.

"Consumer and producer price data suggest core PCE inflation lost further momentum in April after a strong start to the year," analysts at TD Securities said in a note.

"Indeed, we look for the core index to advance 0.22% m/m vs 0.32% in March and an initial 0.25% estimate," they added.

"We also look for the headline to rise 0.23% m/m while the super core likely cooled to 0.26%."

Figures for inflation in the euro zone are also due on Friday and an expected tick up to 2.5% should not stop the European Central Bank from easing policy next week.

Policy makers Piero Cipollone and Fabio Panetta both flagged a coming cut over the weekend, while markets imply an 88% chance of an easing to 3.75% on June 6.

The ECB's chief economist told the Financial Times newspaper that the central bank was ready to start cutting, but policy would still need to be restrictive this year.

The Bank of Canada might also ease next week, while the Fed is seen waiting until September for its first move.

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