

# MARKET UPDATE

**28/05/2024**

## **Gold prices steady as dollar drifts lower.**

Gold prices steadied in Asian trade on Tuesday, seeing some relief from a mildly weaker dollar as traders braced for a swathe of key inflation readings this week, most notably from the U.S.

The yellow metal recouped some of last week's losses, but still remained well below recent record highs as waning safe haven demand and increased fears of high U.S. interest rates saw traders pivot into the dollar and Treasuries.

But the greenback fell slightly in low-volume trade, on account of the Memorial Day holiday on Monday.

Spot gold steadied at \$2,351.03 an ounce, while gold futures expiring in June steadied at \$2,352.10 an ounce by 23:51 ET (03:1 GMT). Spot gold had hit a record high of about \$2,450 an ounce last week.

Gold steadies as PCE inflation test looms

Traders remained cautious over the yellow metal, ahead of key PCE price index data due this Friday. The data is the Federal Reserve's preferred inflation gauge and is likely to factor into the outlook for interest rate cuts.

## **Oil edges up on US fuel demand expectations.**

Oil prices edged up in Asia on Tuesday, extending gains from the previous session, buoyed by expectations of strong fuel demand from the U.S. during the summer, and ahead of an output policy decision from OPEC+ at a June 2 meeting.

Oil prices rose over 1% on Monday in muted trade owing to public holidays in Britain and the United States after a downbeat week characterised by the outlook for higher-for-longer U.S. interest rates in the face of sticky inflation.

Expectations of strong fuel demand with the start of the U.S. summer driving and vacation season provided price support, some analysts said.

Despite the general view that elevated interest rates could result in softer oil demand growth, "real-time mobility data indicates oil demand growth is still broadly healthy," said UBS analyst Giovanni Staunovo in a client note. On the air travel front, U.S. seat numbers on domestic flights for May rose by 5% month-on-month and almost 6% year-on-year to slightly above 90 million, data from flight analytics firm OAG showed, surpassing 2019 levels.



## Asia shares nudge higher, dollar eases.

Asian shares edged higher on Tuesday while the dollar remained on the backfoot for a third straight session, as heightened expectations of an imminent European rate cut helped whet risk appetite.

Gains were limited ahead of key inflation readings this week.

Europe is set for a slightly stronger open, with EUROSTOXX 50 futures up 0.2%. That would build on gains overnight after a slew of European Central Bank officials said the ECB has room to lower interest rates as inflation slows.

With debate now shifting to subsequent moves, markets have fully priced in two rate cuts by October this year.. That in turn guided Wall Street stock futures higher ahead of the reopening of U.S. markets after a public holiday.

S&P 500 futures rose 0.1% and Nasdaq futures gained 0.2%.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2% after a 0.9% increase on Monday. Taiwanese shares climbed 0.5% to a record high, while Hong Kong's Hang Seng index trimmed some earlier gains to be up 0.1%.

Japan's Nikkei, on the other hand, slipped 0.2%, reversing some of a 0.7% advance a day ago.

"We're heading into the northern hemisphere summer season. Traditionally that's a time when markets just tend to get in that drift mode," said Tony Sycamore, an analyst at IG.

Sycamore believes the Hang Seng has further to run higher after a recent leg up, as data is likely to support further improvements in the Chinese economy. China will release surveys of manufacturing and services activity for May on Friday.

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