

# MARKET UPDATE

03/06/2024

## **Oil steadies as investors weigh OPEC+ output cut extension.**

Oil prices were little changed on Monday, as investors weighed a move by producer group OPEC+ to extend deep output cuts well into 2025.

Brent futures for August delivery were down 4 cents, or 0.05%, to \$81.07 a barrel at 0344 GMT, after falling to a session low of \$80.55. U.S. West Texas Intermediate (WTI) crude futures for July delivery slipped 1 cent, or 0.01%, to \$76.98, after falling to \$76.39 earlier.

Brent settled down 0.6% and WTI posted a 1% loss last week.

The Organization of the Petroleum Exporting Countries and allies led by Russia, together known as OPEC+, are currently cutting output by a total of 5.86 million barrels per day (bpd), which is about 5.7% of global demand.

This includes 3.66 million bpd of cuts that were due to expire at the end of 2024, and voluntary cuts by eight members of 2.2 million bpd to expire by the end of June 2024.

## **Asia FX steady as dollar drops.**

Most Asian currencies steadied on Monday, recouping some recent losses against the dollar after in-line inflation data pushed up expectations for interest rate cuts and sparked steep declines in the greenback.

The Indian rupee was a standout performer among its peers, strengthening sharply after exit polls for the 2024 general election pointed to a third consecutive win for the incumbent BJP party.

Anticipation of potential interest rate cuts by the European Central Bank and the Bank of Canada this week also saw traders favor risk-driven assets.

But gains in regional currencies were held back by persistent caution over U.S. interest rates, especially in anticipation of key U.S. labor data and a Federal Reserve meeting.

Dollar nurses losses after PCE data reads as expected

The dollar index and dollar index futures both fell slightly in Asian trade on Monday after clocking steep losses on Friday.

Losses in the greenback came as PCE price index data- which is the Fed's preferred inflation gauge- cooled as expected in April, albeit slightly.



## Gold sees little from rate cut expectations.

Gold prices fell in Asian trade on Monday, as a rush into risk-driven assets, on the back of increased rate cut expectations, largely left out the yellow metal, even as the dollar sank.

Among industrial metals, copper prices retreated tracking mixed purchasing managers index data from top importer China, while a speculative frenzy that had initially fueled the metal's advance also cooled.

Gold was also hit by waning safe haven demand after reports suggested that Israel and Hamas were close to entering a U.S.-brokered ceasefire agreement, which could dial down geopolitical tensions in the Middle East.

Spot gold fell 0.3% to \$2,321.51 an ounce, while gold futures expiring in August fell 0.2% to \$2,341.55 an ounce by 00:31 ET (04:31 GMT).

### Gold retreats as rate cut speculation boosts stocks

Losses in the yellow metal came as traders piled into more risk-driven assets, especially as recent data showed some cooling in U.S. inflation. Asian stocks surged on Monday.

PCE price index data, which is the Federal Reserve's preferred inflation gauge, eased as expected in April, data showed on Friday. This sparked some bets that the Fed will begin cutting rates in September, with the CME Fedwatch tool now showing a greater chance of a 25 basis point rate cut.

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