

MARKET UPDATE

12/06/2024

Gold prices steady around \$2,300.

Gold prices moved little in Asian trade on Wednesday, hovering around a key support level as traders hunkered down before more definitive cues on U.S. rates from a Federal Reserve meeting and inflation data.

The yellow metal was nursing a sharp decline in recent sessions as traders priced out expectations of U.S. rate cuts in the face of sticky inflation and a robust labor market. The dollar shot up to one-month highs, pressuring metal prices, while Treasury yields also rose.

Gold hovers around \$2,300 support, Fed and CPI awaited

Spot gold prices found support around \$2,300 an ounce in their recent rout, as the prospect of eventual rate cuts by the Fed helped limit losses in the yellow metal.

The Fed is set to conclude a two-day meeting later on Wednesday and is widely expected to leave rates unchanged.

Dollar stalls as market braces for CPI test.

The dollar steadied on Wednesday after hitting a four-week high against peer currencies overnight as market players awaited key U.S. inflation data and the Federal Reserve's updated economic projections due later in the day.

The U.S. dollar has rebounded after Friday's stronger-than-expected jobs report raised the prospect of inflation remaining sticky while growth stays strong, making the U.S. central bank less likely to cut rates in the coming months.

Markets are pricing in a roughly 56% chance of a cut in September, according to the CME FedWatch tool, down from 77.8% one week ago.

Investors will have a chance to assess the inflation situation when U.S. Consumer Price Index numbers are released at 1830 GMT on Wednesday, just hours before the Fed concludes its two-day policy meeting.

Economists polled by Reuters expect headline consumer price inflation to ease to 0.1% from 0.3% last month, and core price inflation to remain steady on the month at 0.3%.

Meanwhile, the Fed is widely seen holding rates at 5.25% to 5.5%, putting the focus on policymakers' updated economic projections known as the "dot plot" and Chair Jerome Powell's news conference for clues regarding the timing and pace of cuts.

Asian stocks sink as rate jitters mount.

Most Asian stocks fell on Wednesday as anticipation of more cues on inflation and the Federal Reserve weighed, while reports of more U.S. trade scrutiny against China also dented sentiment.

Regional stocks took few positive cues from record-high closes on the S&P 500 and the NASDAQ Composite, which were buoyed chiefly by strength in heavyweight technology stocks. U.S. stock futures moved little in Asian trade.

Chinese stocks slip, reports flag more U.S.-China trade woes

China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes fell about 0.2% each, while Hong Kong's Hang Seng slid 1.6% and was the worst performer among Asian indexes.

Reports said that the U.S. was considering wider trade sanctions on semiconductor exports to Russia, and could potentially target Chinese and Hong Kong chip resellers who are potentially supplying Moscow.

The increased U.S. scrutiny towards Chinese companies drummed up concerns over worsening trade ties between the world's biggest economies. The U.S. had earlier in 2024 rolled out increased import tariffs on several major Chinese industries.

Mixed Chinese inflation data also presented middling cues on the economy. While producer price index inflation shrank at its slowest pace in 15 months in May, consumer price index inflation grew less than expected.

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