

# MARKET UPDATE

**13/06/2024**

## **Dollar falls after CPI.**

The U.S. dollar fell Thursday, as traders weighed up the competing factors of benign U.S. inflation yet a more hawkish Federal Reserve.

At 04:25 ET (08:25 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.3% lower at 104.340, after trading at its strongest level since mid-May earlier in the week.

The dollar saw some volatile trading on Wednesday, falling in the immediate aftermath of the U.S. inflation report, which showed consumer prices flat month-to-month in May against market expectations of a 0.1% rise.

Before paring some of these losses when the Federal Reserve left the funds rate on hold at 5.25%-5.5% and detailing that policymakers' median projection for the number of cuts this year fell to just one, from three in March.

That said, “we continue to expect a first rate cut in September and a second cut in December,” Goldman economists said in a note.

This brings Thursday’s PPI release firmly into focus, with the headline figure expected to show monthly growth of 0.1% in May, a drop from 0.5% growth the prior month.

## **Rouble swings to opaque trading territory after new US sanctions.**

New U.S. sanctions that forced Russia's leading exchange to halt dollar and euro trading led to a range of varying prices and spreads as trading moved over-the-counter (OTC) on Thursday, obscuring access to reliable pricing for the Russian currency.

The rouble fell to a one-month low of 91.7455 against the dollar in very low liquidity on the interbank market.

But dollar-rouble futures, which continued trading on Moscow Exchange as a derivative instrument, had gained around 2.4% at 0809 GMT and hit a high of around 86.00 in volatile trading.

The central bank will publish the official daily rate, based on OTC trading, closer to 1400 GMT. According to the bank, dollar and euro turnover on the OTC market, where deals are conducted directly between two parties, had long exceeded the volumes on MOEX, Russia's leading financial marketplace.

## Goldman still expects two Fed rate cuts this year.

The June dot plot surprised the markets with a more hawkish stance, showing a median projection of one rate cut in 2024, contrary to the two cuts that consensus had expected.

However, in his Wednesday press conference, Fed Chair Jerome Powell said that many participants viewed the decision as a close call, hinting that both outcomes are still possible.

Following the softer-than-expected SPI report, the market-implied probability of a rate cut by September initially increased from 59% to a peak of 85% but then retreated to 65% after the FOMC meeting.

“We continue to expect a first rate cut in September and a second cut in December,” Goldman economists said in a note.

“Our 2024 inflation forecast is now a touch below the FOMC’s, which Chair Powell characterized as “fairly conservative.” With two better rounds of inflation data now in hand, we think that if the next three rounds are in a similar range, the leadership is likely to push through a cut in September,” they added.

Despite the baseline of one rate cut at the FOMC meeting, there were subtle indications of “sympathy for cutting” in response to progress on inflation, economists noted.

They highlighted that FOMC's statement was revised to note "modest" instead of "a lack of" progress toward the 2% target. Chair Powell, in his opening remarks, emphasized that inflation has dropped from a peak of 7% to 2.7%, stressing the cumulative progress.

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