

# MARKET UPDATE

**28/06/2024**

## **Asia shares set for five-month winning streak.**

Asian stocks were on track for a fifth straight month of gains on Friday, bolstered by a growing view that cooling U.S. inflation could prompt the Federal Reserve to ease rates this year, while the yen tumbled to a 38-year low against the dollar.

Friday is packed with risk events for markets after a relatively subdued week, with figures for May's U.S. core personal consumption expenditures (PCE) price index - the Fed's preferred measure of inflation - taking centre stage later in the day.

Asian markets were little fazed by the first U.S. presidential debate between Democratic President Joe Biden and his Republican rival Donald Trump ahead of the November election, though U.S. stock futures and the dollar rose as investors narrowed the odds on a Trump win.

"There's a big debate on whether that would be good news or bad news for equity markets, but I can tell you that for bond markets, the consensus is clear. If Trump were to win the election, interest rates would likely increase," said Andrew Lilley, chief interest rate strategist at Barrenjoey.

## **Oil prices rise, set for strong June.**

Oil prices rose in Asian trade on Friday and were headed for strong gains in June as fears of supply disruptions in Russia and the Middle East largely offset concerns over slowing demand.

This notion also saw oil prices rise past data this week which showed an unexpected increase in U.S. stockpiles. Gasoline inventories also rose despite the onset of the travel-heavy summer season.

Brent oil futures expiring in August rose 0.4% to \$86.73 a barrel, while West Texas Intermediate crude futures rose 0.4% to \$82.09 a barrel by 21:43 ET (01:43 GMT).

Prices also largely shrugged off pressure from a strong dollar, with focus now turning to key upcoming U.S. inflation data for more economic cues.

Crude set for June gains amid supply risks

Brent and WTI contracts were set to gain more than 6% each in June, as fears of a wider war between Israel and Lebanon's Hezbollah kept markets on edge over disruptions in crude supplies.

## Gold prices steady around \$2,300.

Gold prices fell slightly in Asian trade on Friday, staying largely rangebound as traders remained biased towards the dollar ahead of key inflation data that is likely to factor into interest rates.

The yellow metal recovered some ground on Thursday after falling below a \$2,300 an ounce support earlier this week. But it remained stuck in a tight trading range around that level.

Spot gold fell 0.3% to \$2,320.39 an ounce, while gold futures expiring in August fell 0.3% to \$2,330.85 an ounce. Spot prices were also down for June, although they were set for some gains through the second quarter.

### Gold rangebound ahead of PCE inflation data

The yellow metal had stuck to a tight trading range through most of June, amid growing uncertainty over the path of U.S. interest rates. While some data showed the U.S. economy was cooling, Federal Reserve officials warned that sticky inflation was likely to delay any plans to cut interest rates.

To this end, focus was squarely on PCE price index data on Friday. The reading is the Fed's preferred inflation gauge, and is expected to show inflation remaining well above the central bank's 2% annual target.

High interest rates bode poorly for metal markets, given that they increase the opportunity cost of investing in non-yielding assets.

Other precious metals were also rangebound on Friday, but were sitting on some gains through the second quarter.

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