

MARKET UPDATE

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Asia FX muted after mixed China PMIs.

Most Asian currencies kept to a tight range on Monday as sentiment towards the region was dented by weak Chinese business activity data, while the dollar retreated amid some growing bets on an interest rate cut.

A sharp downward revision in Japan's first quarter gross domestic product also kept sentiment towards Asia largely negative, while the yen remained fragile and largely in focus over more potential government intervention.

Chinese yuan weak, PMIs offer mixed signals

The Chinese yuan remained weak on Monday, with the USDCNY pair sticking to levels last seen in November.

Purchasing managers index data painted a mixed picture of the economy. Government PMI data on Sunday showed China's manufacturing sector shrank for a second straight month in June.

Oil prices climb on summer demand optimism.

Oil prices climbed on Monday, supported by forecasts of a supply deficit stemming from peak summer fuel consumption and OPEC+ cuts in the third quarter, although global economic headwinds and rising non-OPEC+ output capped gains.

Brent crude futures rose 53 cents, or 0.6%, to \$85.53 a barrel by 0729 GMT, while U.S. West Texas Intermediate crude futures were at \$82.05 a barrel, up 51 cents, or 0.6%.

Both contracts gained around 6% in June, with Brent settling above \$85 a barrel in the past two weeks, after the Organization of the Petroleum Exporting Countries (OPEC) and their allies, a group known as OPEC+, extended most of its deep oil output cuts well into 2025.

That led analysts to forecast supply deficits in the third quarter as transportation and air-conditioning demand during summer draw down fuel stockpiles.

On Friday, the Energy Information Administration's (EIA) reported that oil production and demand for major products rose to a four-month high in April, supporting prices.

European stocks rally after first round of French vote.

European stocks rallied on Monday, with French shares leading the way after the far-right National Rally (RN) party scored historic gains in the first round of parliamentary election, but by a smaller margin than what some polls had suggested.

France's blue-chip CAC 40 index jumped 2.6% to lead gains among regional markets, with the country's main lenders including BNP Paribas (OTC:BNPQY), Societe Generale (OTC:SCGLY) and Credit Agricole (OTC:CRARY) advancing between 4.8% and 7.9%.

That helped the region-wide STOXX 600 index scale 1% by 0709 GMT, after four consecutive sessions of losses.

The RN and allies had 33% of the vote, followed by a leftwing bloc with 28% and President Emmanuel Macron's centrists with just 20%, but the final result will depend on days of horsetrading before the July 7 run-off.

The market reaction was mostly a case of 'buy the rumour sell the fact' and chatter that National Rally may not secure an absolute majority in the second round, said Ipek Ozkardeskaya, senior analyst at Swissquote Bank.

The CAC 40 closed at its weakest level in more than five months on Friday on concerns about France's fiscal discipline under the new government.

Among single stocks, Atos climbed 11.7% as the French technology company reached an agreement with a group of banks and bondholders on terms for its debt restructuring.

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