

# MARKET UPDATE

**05/07/2024**

## **Asia FX rises ahead of nonfarm payrolls.**

Most Asian currencies advanced slightly on Friday, recovering further as the dollar weakened ahead of key payrolls data, while the Japanese yen strengthened sharply amid speculation over potential government intervention.

Elsewhere, the British pound firmed slightly with the Labour party set to log a sweeping win in the UK general election.

The dollar index and dollar index futures sank to three-week lows in holiday-thinned trade, while growing expectations of interest rate cuts also dented the greenback. Focus was now squarely on key nonfarm payrolls data, due later on Friday, for more cues on interest rates.

While a softer dollar did benefit Asian markets, gains were limited as a potential escalation in tensions between China and Taiwan dented sentiment.

Japanese yen firms sharply, USDJPY sinks amid intervention chatter

The Japanese yen was among the best performers in Asia, with the USDJPY pair, which gauges the number of yen needed to buy one dollar, sinking 0.4% to 160.63.

## **Gold prices advance as dollar sinks.**

Gold prices rose in Asian trade on Friday, extending recent gains as the dollar retreated before key nonfarm payrolls data that is expected to provide more cues on interest rates.

The yellow metal was sitting on some gains this week after a swathe of weak U.S. economic data pushed up bets that the Federal Reserve will begin cutting interest rates by September.

Spot gold rose 0.3% to \$2,363.61 an ounce, while gold futures expiring in August rose 0.3% to \$2,371.56 an ounce by 01:05 ET (05:05 GMT).

Gold buoyed by rate cut bets, payrolls data awaited

Spot gold prices were set to add 1.6% this week, and were trading about \$100 away from a record high, as they benefited from increased bets on a September rate cut. Soft U.S. employment and business activity data weighed on the dollar.

The CME Fedwatch tool showed traders pricing in an over 66% chance the Federal Reserve will cut rates by 25 basis points in September.

## Pound firm, British stocks set to rise.

The pound held firm and British shares were set to rise on Friday after the centre-left Labour Party surged to a comprehensive win in a parliamentary election, affording investors some certainty after years of market volatility.

As of 0600 GMT on Friday, Labour, led by Keir Starmer, had won 405 of the 650 seats in parliament, giving it a large majority with a handful of seats yet to declare.

Conservative Prime Minister Rishi Sunak has conceded defeat.

Sterling firmed slightly after the release of the exit polls, which proved to be broadly accurate, and was last trading around \$1.2767. The pound was broadly unchanged against the euro, which was at 84.75 pence.

Futures linked to the FTSE 100 stock index were up 0.24%, slightly higher than those for Europe-wide blue chip stocks.

"It's a breath of fresh air to be running (UK) equities in a market where the election is seen as non-event," said Laura Foll, portfolio manager at Janus Henderson Investors.

"I'm hoping we're going back to an era where boring is good and politics treads lighter in people's lives," she said, adding: "It will be a more gradual lifting (of confidence)."

Sterling has edged up since Sunak called the election in late May, earlier than anticipated. It is the strongest-performing major currency against the dollar this year, with a gain of 0.3%.

On a trade-weighted basis, the pound is now back where it was in 2016, at the time of the Brexit vote, reflecting a belief among traders and investors that a period of intense market volatility, driven by political and economic tumult under the Conservatives, may be drawing to a close.

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