

MARKET UPDATE

08/07/2024

Euro slips on French gridlock.

The euro slipped on Monday after projections from France's election pointed to a hung parliament amid an unexpectedly strong showing for a left-wing alliance, spawning fresh uncertainty over the country's fiscal outlook.

The dollar remained on the back foot following surprisingly soft U.S. payrolls data on Friday, which boosted bets for the Federal Reserve to soon start cutting interest rates.

Sterling rose to a 3-1/2-week top versus its U.S. peer as the British currency continued to firm following the Labour Party's landslide election victory last week, which ended 14 years of Conservative rule.

The Australian dollar benefited from greenback weakness to push to a six-month peak.

The yen headed for a third day of gains after rebounding from last week's nearly 38-year trough to the dollar.

The euro was 0.1% lower at \$1.08235, and earlier slid as much as 0.4%, as investors weighed the consequences of a hung French parliament.

Gold prices dip from 1-mth high.

Gold prices fell slightly in Asian trade on Monday as traders awaited more cues on U.S. interest rates from a testimony by Federal Reserve Chair Jerome Powell and key inflation data due through the week.

But bullion prices were sitting close to one-month highs, and were also on the cusp of breaking back above \$2,400 an ounce amid growing conviction that the Fed will begin cutting interest rates in September. Broader metal prices also benefited from a drop in the dollar, which hit a near one-month low.

Spot gold fell 0.3% to \$2,384.47 an ounce, while gold futures expiring in August fell 0.2% to \$2,392.55 an ounce by 00:33 ET (04:33 GMT).

Gold sits on some gains as rate cut bets increase

Gold rose sharply through the past week, breaking out of the low-\$2,300s as a slew of weak readings on the labor market brewed more optimism over interest rate cuts. Soft nonfarm payrolls data on Friday was a key driver of gold's gains.

Asia FX muted as dollar weakens.

Most Asian currencies moved little on Monday, while the dollar nursed steep losses amid growing expectations of interest rate cuts, while the Japanese yen firmed on data showing a pick-up in average wages.

Elsewhere, the euro was steady after the results of the French election showed a leftist coalition won the most number of parliamentary seats in a snap election, while President Emmanuel Macron's party came second and Marine Le Pen's far right party came third.

Sentiment towards Asian currencies remained strained amid concerns over a potential trade war between China and the European Union. But most regional currencies were sitting on some gains after the dollar fell sharply through the past week, amid growing optimism over U.S. interest rate cuts.

The dollar index and dollar index futures steadied near a one-month low on Monday. Focus this week is on a two-day testimony by Federal Reserve Chair Jerome Powell, as well as key consumer price index inflation data.

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