

MARKET UPDATE

22/07/2024

Dollar eases as Biden ends re-election bid.

The dollar eased slightly against a basket of currencies on Monday while dropping sharply versus the yen as investors focused on U.S. President Joe Biden's decision to end his re-election campaign and the next moves from the Federal Reserve and the Bank of Japan.

Analysts said the Japanese currency could be at a turning point after falling since the beginning of 2024 as the Fed is close to cutting rates and the BoJ is widely expected to tighten its monetary policy soon.

The Federal Reserve Open Market Committee will meet on July 30, a day before the Bank of Japan.

Money markets fully price in a 25 bps Fed rate cut by September.

Oil prices rise as investors look forward to U.S. rate cuts.

Oil prices rose in Asia on Monday as investors watched for further signs that the U.S. might start to cut interest rates as soon as September.

Brent crude futures had gained 32 cents, or 0.39%, to \$82.95 a barrel by 0651 GMT, and U.S. West Texas Intermediate crude futures had increased 34 cents, or 0.42%, to \$80.47.

"Since the June FOMC meeting, inflation and labour market data have signalled that disinflation and labour market rebalancing are in place, which we expect will allow the Fed to begin its interest rate cutting cycle in September," ANZ Research said in a note.

The U.S. Federal Reserve is due to review policy next on July 30-31, when investors expect it to keep rates unchanged. But they will look for further evidence that a cut will happen at the September meeting.

News that President Joe Biden had decided on Sunday to abandon his re-election bid was not a major factor for oil markets. He has endorsed Vice President Kamala Harris as the candidate who should face Republican Donald Trump in November's election.

"If anything, a Trump presidency could influence higher demand for oil in the U.S., given his anti-EV stance," said Sarkar.

FTSE 100 rebounds amid broader gains.

London stocks rebounded on Monday amid broader gains as investors digested corporate updates and assessed the potential impact of U.S. President Joe Biden quitting the reelection race, while Rentokil surged after a report of takeover interest.

The blue-chip FTSE 100 index was up 0.5%, while the mid-cap FTSE 250 was up 0.3% by 0725 GMT.

Rentokil surged 12.3% to the top of the FTSE 100 after a report said that Philip Jansen, former chief of BT Group (LON:BT), is working on a private equity-backed takeover bid for the pest-control firm.

It drove the broader industrial support services sector 2.6% higher, which led gains. Most sub-sectors trended higher as the market recovered from Friday's declines.

On the other side, travel and leisure stocks slipped 1%, weighed down by airlines like Wizz Air and IAG Group that fell between 3%-5% after Irish peer Ryanair missed quarterly profit estimates.

Meanwhile, U.S. President Joe Biden abandoned his reelection bid on Sunday and endorsed Vice President Kamala Harris as the party's candidate to face Republican Donald Trump in the November election.

The S&P 500 and Nasdaq futures edged higher following the news.

All eyes will now be on the gross domestic product and crucial inflation data out of the U.S., that could shed some more light on the Federal's Reserve monetary policy path.

Investors will also parse through corporate earnings in the U.S. and the UK, with companies like Alphabet (NASDAQ:GOOGL) and EV maker Tesla (NASDAQ:TSLA) on the radar.

In London, Entain climbed 4.2% after the sports betting and gaming group said Gavin Isaacs has been appointed as its new CEO, effective Sept. 2.

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