

# MARKET UPDATE

29/07/2024

## **Oil prices rise on fears of wider Middle East conflict.**

Oil prices rose on Monday, paring last week's loss, on fears of a widening conflict in the Middle East following a rocket strike in the Israeli-occupied Golan Heights, which Israel and the United States blamed on Lebanese armed group Hezbollah.

Brent crude futures gained 20 cents, or 0.3%, to \$81.33 a barrel at 0010 GMT. U.S. West Texas Intermediate (WTI) crude futures climbed 9 cents, or 0.1%, to \$77.25 a barrel.

Last week, Brent lost 1.8% while WTI fell 3.7% on sagging Chinese demand and hopes of a Gaza ceasefire agreement.

On Sunday, Israel's security cabinet authorised Prime Minister Benjamin Netanyahu's government to decide on the "manner and timing" of a response to the Saturday's rocket strike in the Golan Heights that killed 12 teenagers and children.

Iran-backed Hezbollah denied responsibility for the attack, the deadliest in Israel or Israeli-annexed territory since Palestinian militant group Hamas' Oct. 7 assault sparked the war in Gaza. That conflict has spread to several fronts and risks spilling into a wider regional conflict. The reading is due on Thursday and is expected to show inflation remained sticky in June.

## **Asian stocks rebound with Fed rate in focus.**

Most Asian stocks rose sharply on Monday with focus on an upcoming Federal Reserve meeting for more cues on interest rate cuts, with the battered technology sector leading gains.

But Chinese markets continued to lag their regional peers, as sentiment towards the country showed little signs of improving ahead of more key economic readings this week.

Regional stocks took positive cues from a strong finish on Wall Street on Friday, as signs of easing inflation drove up bets that the Fed will eventually cut interest rates this year. U.S. stock index futures also rose in Asian trade on this notion.

The Fed is set to keep rates unchanged at the conclusion of a two-day meeting on Wednesday. But any signals on when it plans to begin cutting rates will be closely watched, especially amid encouraging comments from Fed officials.

## Yen rises as Middle East tension exposes fragile sentiment.

The yen strengthened on Monday, reversing earlier declines, as an escalation in Middle-East tensions reignited safe-haven demand for the Japanese currency.

Tel Aviv is weighing a response to a deadly rocket strike in the Israeli-occupied Golan Heights, which Israel and the United States blamed on Lebanese armed group Hezbollah.

The market reaction exposes the fragility of investor sentiment following last week's swift tech share sell-off, which helped the yen rally to its strongest level in 12 weeks against the dollar on Thursday.

The dollar was last down 0.17% at 153.51 yen after slipping as much as 0.35% initially.

It had started the day by gaining as much as 0.36%, as the global equity market rebound from Friday extended into Monday in Asia, with Japan's Nikkei stock average up more than 2%.

The dollar dipped as low as 151.945 on Thursday for the first time since May 3, and ended the week down 2.4%, its worst weekly performance since late April.

"The rally seemed to stall" in dollar-yen following the Israel news, said Shinichiro Kadota, a currency and rates strategist at Barclays in Tokyo. "Sentiment remains fragile."

Ultimately though, "U.S. equities are still the key," Kadota added. "Market moves have been led by U.S. equities, and we need to see if things stabilize there."

The U.S. earnings calendar this week is populated with heavyweights including Amazon (NASDAQ:AMZN), Apple (NASDAQ:AAPL), Meta (NASDAQ:META) and Microsoft (NASDAQ:MSFT).

Currency traders also need to contend with policy decisions from both the Bank of Japan and Federal Reserve on Wednesday, followed by the Bank of England a day later.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement