

# MARKET UPDATE

**30/07/2024**

## **Oil prices dip below \$80.**

Oil prices fell to a near two-month low in Asian trade on Tuesday as a lack of immediate escalation in tensions between Israel and Hezbollah saw traders price out a risk premium from prices.

Caution before a meeting of the Organization of Petroleum Exporting Countries also weighed on sentiment, although recent weakness in crude is likely to see the cartel downplay any plans for scaling back production cuts.

Anticipation of a slew of key central bank meetings this week kept prices on the backfoot, while persistent concerns over slowing demand, especially in top importer China, continued to chip away at sentiment.

Brent oil futures expiring in September fell 0.2% to \$79.63 a barrel, while West Texas Intermediate crude futures fell 0.3% to \$75.62 a barrel by 21:27 ET (01:27 GMT).

## **Asian stocks sink as BOJ, Fed meetings approach.**

Most Asian stocks fell on Tuesday, reversing a rebound from the prior session as sentiment remained on edge before interest rate decisions from the Bank of Japan and the Federal Reserve in the coming days.

Chinese markets continued to lag their peers, with local benchmarks hitting six-month lows as concerns over a slowing economic recovery showed few signs of easing.

Regional markets took middling cues from Wall Street, which ended flat on Monday as caution over the central bank meetings kept investors from making big bets.

U.S. stock index futures fell in Asian trade ahead of Wednesday's Fed rate decision, while a slew of heavyweight technology earnings were also in focus.

Japanese stocks sink amid uncertainty over BOJ

Japan's Nikkei 225 index fell 0.9% as did the broader TOPIX, amid uncertainty over the BOJ's upcoming rate decision.

Analysts were largely split over a potential rate hike by the BOJ, following some mildly positive readings on inflation in the past two months. But underlying inflation- which is a key factor for the BOJ's rate decisions- remained well below the bank's 2% annual target.

## Dollar, yen hold tight ranges.

The dollar and yen kept within close ranges on Tuesday as traders awaited key central bank decisions, kicking off with midweek monetary policy meetings from the Bank of Japan and Federal Reserve that could set the tone for coming weeks.

The Japanese currency was taking a breather from its recent rally as the BOJ began its two-day meeting on Tuesday, having surged over 2% against the dollar last week.

A slew of factors have collided to help the yen strengthen from the 38-year low of 161.96 hit against the dollar at the start of the month, including a global stock rout and increased bets for Japan's central bank to hike interest rates this week.

Markets are currently pricing in a 63% chance of a 10 bps hike.

The BOJ has already said it will announce quantitative tightening (QT) plans, with the middle-of-the-road view calling for the bank to gradually halve its monthly bond purchases over a two-year period.

But questions remain about whether the BOJ will increase rates on Wednesday amid tepid economic growth.

"The real risk from the BOJ is no hike and a weaker yen, given their tendency to undershoot expectations at recent meetings, and hopes of a hike sitting quite high," said Matt Simpson, senior market analyst at City Index.

The greenback was 0.08% higher against the yen, fetching 154.125.

If the BOJ skips a hike, dollar is likely to establish near-term support around current levels against the yen, said Andy Ji, senior Asia FX strategist at InTouch Capital Markets.

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