

MARKET UPDATE

16/08/2024

Dollar firm as US data quiets recession worries.

The dollar hovered not far from a two-week high to the yen on Friday after its biggest one-day gain against major peers in four weeks as firm U.S. economic data all but eliminated fears of a recession.

The greenback had been given an extra boost against the Japanese currency thanks to a surge in Treasury yields on Thursday as traders pared back bets the Federal Reserve would be forced into aggressive easing next month.

Risk-sensitive currencies like sterling were firm as the improved economic outlook spurred a rally in equities.

The dollar index, which measures the greenback against six major peers including the yen, sterling and euro, eased 0.12% to 102.92 as of 0513 GMT, but that followed a 0.41% overnight rally, the most since July 18.

The dollar retreated 0.24% slightly to 148.935 yen, but was still close to Thursday's high of 149.40, a level last seen on Aug. 2. The 10-year Treasury yield edged down a little over 2 basis points to 3.9035% in Asian hours.

Asian stocks rise tracking Wall St rally.

Most Asian stocks surged on Friday, tracking an overnight rally on Wall Street as strong U.S. economic data helped quell fears of a recession, while bets on interest rate cuts still remained in play.

Wall Street indexes rose sharply on Thursday after strong retail sales data boosted optimism over the U.S. economy. Softer inflation data from earlier in the week also kept traders pricing in a 25 basis point rate cut in September.

Japan's Nikkei 225 and TOPIX indexes were the best performers in Asia, rising 3.2% and 2.5%, respectively. They were also the best performers in Asia this week.

Both indexes were set to add between 7% and 8.5% this week, as they rebounded from four straight weeks of steep losses, which also saw them enter a bear market.

Sentiment towards Japan improved this week on stronger-than-expected gross domestic product data for the second quarter, which showed the economy was picking up amid improving wages and personal spending.



Oil prices set to end week higher.

Oil prices were set for a second straight week of gains despite edging lower on Friday, as recent U.S. economic data boosted optimism over demand from the world's top oil consumer.

Brent crude futures have risen about 1.3% this week, while U.S. West Texas Intermediate crude futures have increased about 1.2%.

On Friday, Brent fell 22 cents, or 0.3%, to \$80.82 per barrel by 0650 GMT, while WTI fell 30 cents, or 0.4%, to \$77.86.

U.S. retail sales data on Thursday beat analysts' expectations, while separate data showed fewer Americans had filed new applications for unemployment benefits last week, sparking renewed optimism around U.S. economic growth.

"Crude oil reversed recent losses as positive economic data and supply side concerns boosted investor sentiment," analysts at ANZ Research said.

Analysts at consultancy FGE said oil markets would now return their focus to geopolitics, amid warnings of retaliatory attacks from Iran against Israel over the killing of a Hamas leader in Tehran.

A fresh round of negotiations began on Thursday to secure a ceasefire in the Gaza war, even as Israeli troops continued their assault on the Palestinian enclave.

The talks, which have been boycotted by Hamas, were extended and will resume in the Qatari capital Doha on Friday.

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