MARKET UPDATE

20/08/2024

Gold prices hover above $2,500.

Gold prices fell slightly in Asian trade on Tuesday, but remained close to record highs as traders grew more convinced that the Federal Reserve will begin cutting interest rates in September, which sparked weakness in the dollar.

Markets are now awaiting more cues on interest rates from the Federal Reserve, with Chair Jerome Powell set to speak at the Jackson Hole Symposium on Friday.

Spot prices hit a record high of $2,510.45 an ounce last week, with the yellow metal logging strong gains amid growing conviction that the Fed will begin cutting rates from September.

Traders are pricing in a 76% chance the Fed will cut rates by 25 basis points, and a 24% chance for a 50 bps cut, CME Fedwatch showed.

Lower rates bode well for gold, given that they reduce the opportunity cost of investing in non-yielding assets.

Oil prices edge down on easing geopolitical risks.

Oil prices edged lower on Tuesday as Israel accepted a proposal to tackle disagreements blocking a ceasefire deal in Gaza, helping ease concerns over supply disruptions in the Middle East.

Brent crude was down 67 cents, or 0.86%, at $76.99 a barrel, as of 0600 GMT. Front month U.S. West Texas Intermediate crude futures, which expire on Tuesday, were at $73.75 a barrel, easing 62 cents, or 0.8%. The more actively traded second month contract was last down 63 cents or 0.86% at $73.03 a barrel.

Brent had fallen about 2.5% on Monday, while WTI eased 3%.

"Prices seem to find some headwinds from geopolitical developments in the Middle East and China's demand outlook," said Yeap Jun Rong, market strategist at IG, referring to weak Chinese economic data, which cast doubts on the country's oil demand prospects.

U.S. Secretary of State Antony Blinken said on Monday that Israeli Prime Minister Benjamin Netanyahu had accepted a "bridging proposal" presented by Washington to tackle disagreements blocking a ceasefire deal in Gaza, and urged Hamas to do the same.

Bitcoin price today Up to $61k.

Bitcoin price rose on Tuesday, tracking broader gains across risk-driven markets amid growing bets that the Federal Reserve will begin cutting interest rates in September.

The world's biggest cryptocurrency rose 4.5% to $61,176.1 by 01:29 ET (05:29 GMT).

Selling pressure from concerns over token distributions by defunct crypto exchange Mt Gox also appeared to have cleared, while data on Monday showed crypto investment products saw some positive capital flows over the past week.

But despite recent gains, Bitcoin still remained close to a trading range seen through most of the year, as the token struggled to make new highs as interest in crypto dwindled.

Bitcoin buoyed by rate cut bets, Powell in focus

Bitcoin and crypto markets rose in tandem with a broader risk-on move across global markets, which saw Wall Street indexes log strong gains on Monday.

Risk sentiment improved amid growing conviction that the Fed will cut rates in September, with traders positioning for a 25 basis point reduction, CME Fedwatch showed.

On that front, focus this week is on an address by Fed Chair Jerome Powell at the Jackson Hole Symposium on Friday. While the Fed chair is unlikely to explicitly outline plans for a rate cut, he is expected to offer more encouraging comments, especially as recent data showed some cooling in U.S. inflation.