

MARKET UPDATE

22/08/2024

Oil prices slow sell-off expectations.

A sharp sell-off in crude oil paused on Thursday after expectations of a rate cut by the Federal Reserve offset a bunch of weak economic data from the world's two largest economies, the United States and China.

Brent crude futures were 3 cents up to \$76.08 a barrel. U.S. West Texas Intermediate crude futures fell 5 cents to trade at \$71.88 at 0036 GMT. Both contracts lost over \$1, or more than 1%, in the previous session.

WTI touched its lowest since early February on Wednesday after revised U.S. employment statistics showed fewer jobs than previously reported and weak economic data from China, the world's second-largest economy.

The revised jobs data offset support from a drop in U.S. oil inventories.

The overnight downturn in oil prices took a breather in early Thursday trade, however, as markets focussed on the prospects for near term U.S. rate cuts.

The Federal Reserve appeared to be on track for an interest rate cut in September after a "vast majority" of officials said such an action was likely, according to the minutes of the U.S. central bank's July 30-31 meeting.

US stock futures steady.

U.S. stock index futures rose slightly in evening deals on Wednesday, extending gains from Wall Street as the minutes of the Federal Reserve's recent meeting fueled growing conviction that the central bank will cut rates.

More signs of a cooling labor market also factored into expectations for rate cuts, with the Fed now widely expected to begin acting from September.

S&P 500 Futures steadied at 5,463.0 points, while Nasdaq 100 Futures rose 0.1% to 19,927.50 points by 19:22 ET (23:22 GMT). Dow Jones Futures were flat at 41,019.0 points.

Fed minutes further rate cut expectations, Wall St advances

The minutes of the Fed's late-July meeting, released on Wednesday, showed an increasing number of policymakers supported lowering interest rates amid progress in bringing down inflation.

Euro, now a safer bet, emerges a winner from market turmoil.

The euro is trading at its highest this year against the dollar, emerging as a clear winner from the recent ructions in global currency markets that have unsettled a strong dollar and halted a relentless slide in Japan's yen.

Having broken decisively above the symbolic \$1.10 level, the euro's more than 2.5% gain in August sets the currency up for its best month since November.

Traders, distracted up until now by the yen's sudden surge after a surprise July 31 Bank of Japan rate hike and a broad-dollar pounding as expectations for U.S. interest rate cuts grow, are paying attention.

After all, history shows \$1.10 is not an easy level to crack and as recently as April, some analysts speculated the euro could weaken to parity.

It's now the second best performing major currency versus the dollar this year after sterling, and is at its highest in trade-weighted terms on record, though that is also down to weakness in emerging market currencies.

The gains on the dollar, forecast to be modest from here, are nevertheless notable as U.S. Federal Reserve rate cut talk coincides with speculation that further European Central Bank easing could be limited by sticky service-sector inflation.

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