

MARKET UPDATE

23/08/2024

Gold prices tumble from record highs.

Gold prices rose in Asian trade on Friday but were nursing a tumble from record highs in the prior session as caution before an address by Federal Reserve Chair Jerome Powell lent some support to the dollar.

The yellow metal raced to record highs earlier this week amid growing conviction that the Fed will begin cutting interest rates from September. While prices did retreat amid some profit-taking, gold still remained relatively well-bid.

Spot gold rose 0.4% to \$2,495.52 an ounce, while gold futures expiring in December rose 0.6% to \$2,530.70 an ounce by 01:24 ET (05:24 GMT). Spot prices were down slightly this week after hitting a record high of \$2,531.72 an ounce.

Powell address on tap amid rate cut speculation

Powell is set to talk at the Jackson Hole Symposium later on Friday, potentially offering up more cues on the Fed's plans to begin trimming interest rates.

Markets are broadly pricing in a September rate cut, although CME Fedwatch showed traders somewhat split between a 25 or 50 basis point reduction.

Bets on a deeper rate cut were furthered by soft labor data released earlier in the week, which showed a sharp downward revision in payrolls data over the year to March 2024.

Yen firms as BOJ's Ueda flags readiness to hike.

The yen rose on Friday as traders considered comments from Bank of Japan Governor Kazuo Ueda, who sought to calm lingering nerves after a surprise rate hike last month, while markets braced for a speech from Federal Reserve Chair Jerome Powell.

With the spotlight squarely on the central bankers, Ueda appeared first in Japan's parliament to explain the rate increase that had rattled investors.

The yen was 0.38 % higher at 145.75 per dollar on Friday in choppy trading after Ueda reaffirmed his resolve to raise rates if inflation stayed on course to sustainably hit the 2% target, but warned financial markets remained unstable.

"His (Ueda) comments suggest that market turbulence won't deter the BOJ from considering more rate hikes in the future even if the next move isn't imminent," said Vasu Menon, managing director of investment strategy at OCBC.

Asian shares sputter.

Asian shares sputtered on Friday while the dollar rebounded from one-year lows as investors were cautious ahead of a speech by the world's most powerful central banker with markets looking for confirmation U.S. rate cuts would start in September.

The Japanese yen gained 0.4% to 145.63 per dollar after Bank of Japan Kazuo Ueda flagged an willingness to raise interest rates if the economy and inflation turn out as forecast.

The Nikkei sold off but turned 0.4% higher in the afternoon to hit a fresh three-week high as investors decided Ueda was not as hawkish as feared. Domestic yields rose 3 basis points in modest reactions. (T)

Europe is set for a subdued open with EUROSTOXX 50 futures flat and FTSE futures up 0.4%. S&P futures and Nasdaq futures rose 0.3% and 0.6% respectively.

Data out early in the day showed Japan's core inflation accelerated for a third straight month, but a slowdown in demand-drive price gains suggest no urgency for any immediate rate hikes.

Krishna Bhimavarapu, APAC economist at State Street (NYSE:STT) Global Advisors, expects the stronger yen and reintroduction of energy subsidies to slow inflation in the near-term.

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