MARKET UPDATE

05/09/2024

European stocks slip lower.

European stock markets drifted lower Thursday, trading in a subdued manner ahead of the key monthly US jobs report amid renewed concerns over the prospects for the world's largest economy.

At 03:05 ET (07:05 GMT), the DAX index in Germany traded flat, the CAC 40 in France fell 0.4% and the FTSE 100 in the U.K. dropped 0.1%.

Sentiment remains fragile ahead of payrolls

The main European indices traded in a tight range Thursday, but sentiment remains fragile ahead of Friday's crucial US nonfarm payrolls release as investors look for clues about how aggressively the Federal Reserve may look to cut interest rates later in the month.

Fed Chair Jerome Powell has flagged it is time to start reducing interest rates, and many in the markets expect the process to begin with a 25-basis point cut at the Sept. 17-18 meeting.

Weak U.S. manufacturing data earlier in the week exacerbated concerns over the economic outlook, while Wednesday's bigger-than-expected drop in job openings showed the labor market is at risk of a sharper weakening.

Dollar struggles.

The dollar stayed on the back foot on Thursday as renewed concerns over the U.S. economy's growth outlook bolstered expectations of a supersized rate cut from the Federal Reserve this month.

The yen was a notable outperformer, in part due to safe-haven demand, but also on the view that imminent rate hikes from the Bank of Japan against the tide of a global easing cycle would lift the Japanese currency due to narrowing interest rate differentials.

The yen was last 0.26% higher at 143.36 per dollar, having risen to a one-month high of 143.20 earlier in the session. For the week thus far, it is up 1.8%.

Global markets have been on edge and stocks, in particular, have been badly bruised after softer-than-expected U.S. data this week reignited concerns that the growth outlook of the world's largest economy was less rosy than earlier thought and the labour market could be slowing more sharply than expected.

Oil prices edge up as OPEC+ may delay supply hike.

Oil prices edged up after plunging to multi-month lows previously as major producers may delay an output increase planned for next month and U.S. inventories fell, though the gains were limited by persistent demand concerns.

Brent crude futures for November rose 35 cents, or 0.48%, to $73.05 a barrel at 0607 GMT after dropping 1.4% in the previous session to their lowest close since June 27, 2023. U.S. West Texas Intermediate crude futures for October were up 35 cents, or 0.51%, to $69.55 after dropping 1.6% on Wednesday to the lowest settlement since Dec. 11.

"Pessimistic sentiments in oil markets seem to ease after robust API data and news of OPEC+ reconsidering output jump surfaced and boosted hopes," said Priyanka Sachdeva, senior market analyst at Phillip Nova.

The Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, known as OPEC+, is discussing delaying its oil output increase scheduled to start in October as prices have tanked, four sources from the producer group told Reuters on Wednesday.

Last week, OPEC+ was set to proceed with its 180,000 barrels-per-day (bpd) output hike in October, part of a plan to gradually unwind its most recent cuts of 2.2 million bpd.

But the potential end to a dispute halting Libyan exports and soft Chinese demand has pushed the group to reconsider.

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