

MARKET UPDATE

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Asia FX firms, yen at 8-mth peak.

Most Asian currencies gained ground on Wednesday as the dollar retreated in the wake of a fiery U.S. presidential debate, with focus turning to key upcoming inflation data due later in the day.

The Japanese yen was among the biggest beneficiaries of this trade, with increased safe haven demand after the debate putting the yen at its strongest level since early-January. The yen also benefited from somewhat hawkish-leaning comments from Bank of Japan officials.

Broader Asian currencies advanced on Wednesday, seeing some relief from a softer dollar. But regional markets were still nursing steep losses over the past week amid waning risk appetite.

The dollar index and dollar index futures both fell about 0.2% in Asian trade, with losses in the greenback coming in the wake of a fiery presidential debate between Kamala Harris and Donald Trump.

The debate furthered expectations for a hotly contested 2024 presidential race, which could present a major point of uncertainty for markets, given the contrasting views on policy pushed by both candidates. Harris and Trump both veered from the presented topics to engage in personal attacks against each other.

Oil prices recover.

Oil prices climbed on Wednesday, paring some of the previous day's losses, as concerns about Hurricane Francine disrupting output in the U.S., the world's biggest producer, outweighed worries about weak global demand.

Brent crude futures climbed 34 cents, or 0.5%, to \$69.53 a barrel by 0430 GMT while U.S. crude futures were at \$66.10 a barrel, up 35 cents, or 0.5%.

Both benchmarks fell nearly \$3 on Tuesday, with Brent hitting its lowest since December 2021 and WTI falling to a May 2023 trough, after OPEC+ revised down its demand forecast for this year and 2025.

"Still, downward pressure will likely continue in the near term as investors are worried about a slowdown in demand due to economic slowdown in China and the United States," he said, adding he had lowered his forecast range for WTI for the rest of the year to \$60-\$80 from \$65-\$85 this week.

Dollar slumps 1% versus yen.

The dollar slumped more than 1% against the yen on Wednesday to its weakest level of the year after Kamala Harris put rival Donald Trump on the defensive in the only scheduled debate of the U.S. presidential race.

The yen received an additional boost from Bank of Japan board member Junko Nakagawa, who reiterated in a speech that the central bank would continue to raise interest rates if the economy and inflation move in line with its forecasts.

Traders were also waiting nervously for a key U.S. inflation report that could provide clues on how aggressively the Federal Reserve cuts rates next week.

The dollar dropped as much as 1.24% to 140.71 yen, a level not seen since Dec. 28, before trading at 141.16 yen as of 0547 GMT.

The dollar-yen pair tends to track long-term Treasury yields, which extended an overnight slump in Asian time to reach 3.609% for the first time since June 2023.

"Harris was seen as winning the debate, leading to a decline in U.S. yields and a weaker dollar as a result," said Shinichiro Kadota, a currency strategist at Barclays in Tokyo.

That was the key factor" behind the plunge in the dollar-yen pair, with Nakagawa's comments supporting the yen "at the margin," he said.

Investors broadly see the dollar strengthening in the event of a victory by Republican nominee Trump, as tariffs might prop up the currency and higher fiscal spending could boost interest rates.

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