

MARKET UPDATE

16/09/2024

Oil prices climb on Fed rate cut outlook.

Oil prices rose in Asian trade on Monday amid expectations of a U.S. interest rate cut this week, though gains were capped by persistent demand worries and weaker China data.

Brent crude futures for November were up 38 cents, or 0.5%, at \$71.99 a barrel at 0700 GMT. U.S. crude futures for October were up 49 cents, or 0.7%, at \$69.14 a barrel.

Both contracts had settled lower in the previous session, with concerns about supply disruptions easing as Gulf of Mexico crude production resumed following Hurricane Francine and as rising data showed a weekly rise in U.S. rig count.

Still, nearly a fifth of crude oil production and 28% of natural gas output in the Gulf of Mexico remain offline in the hurricane's aftermath.

"Markets are focused on upcoming FOMC policy decisions and traders are likely to stay cautious," said Phillip Nova senior market analyst Priyanka Sachdeva, adding that prices are still supported by some supply worries given some capacity remains offline in the Gulf of Mexico.

European stocks slip lower.

European stock markets edged lower Monday, as investors prepared for important policy-setting meetings from both the U.S. Federal Reserve and the Bank of England.

At 03:05 ET (07:05 GMT), the DAX index in Germany traded 0.2% lower, the CAC 40 in France fell 0.2% and the FTSE 100 in the U.K. dropped 0.1%.

Fed to start cutting rates

The focus this week will center on the conclusion of the latest Fed meeting, which is expected to see the U.S. central bank starting to cut interest rates from the 5.25%-5.5% range that has been in place for the last 14 months.

A reduction in rates has been widely flagged by Fed officials, with U.S. price growth continuing to soften, falling last month to its lowest level since February 2021. But investors will be looking to see the size of the cut, and what guidance Chair Jerome Powell will give on the future path for monetary policy. The Bank of England also meets this week, but there is more uncertainty over whether this central bank will ease monetary policy having started to cut interest rates in August, for the first time in four years.

S&P 500 positioned for a false breakout.

The odds for a 50 basis points rate cut at the upcoming Federal Open Market Committee (FOMC) meeting were hovering around 50% following Friday's market close, marking a sharp increase from earlier in the week when the probability was as low as ~12%.

While a 50bps rate cut could provide a short-term boost to equities, strategists at BTIG expect the S&P 500 to reach new all-time highs above 5700 this week, irrespective of the decision.

"A move to the top side of the rising trend channel would be ~5800, although we don't think it gets that high before potentially some giveback into early October," strategists said in a Sunday note.

However, they caution that following Wednesday's announcement, there might be a "set-up for a false breakout."

"For one, SPX is coming off its best week of the year. While that follows the worst week, there was still a lot of buying in the days leading up to the decision," strategists wrote. "Often times you can get a 'sell the news' reaction in that environment."

They also pointed out that momentum is likely to show a negative divergence compared to the highs seen in July.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement

