

MARKET UPDATE

18/09/2024

Asian stocks muted with Fed rate cut in focus.

Most Asian stocks kept to a tight range on Wednesday as investors hunkered down in anticipation of a Federal Reserve meeting where the central bank is widely expected to cut interest rates.

Regional trading volumes were muted on account of holidays in Hong Kong and South Korea, while Chinese markets moved little even as trading resumed from an extended break.

Asian markets took middling cues from a flat overnight session on Wall Street, as anticipation of the Fed deterred any big bets. U.S. stock index futures were mildly positive in Asian trade.

Chinese markets muted after extended break, sentiment weak

China's Shanghai Shenzhen CSI 300 and Shanghai Composite indexes barely moved even as trade resumed from two days of market holidays.

Sentiment towards China remained weak following a slew of weak economic readings released over the past few days, which showed persistent headwinds for the country's biggest growth drivers.

China's benchmark indexes were trading at more than seven-month lows, having vastly lagged their regional peers this year.

Oil prices fall on signs of US inventory build.

Oil prices fell in Asian trade on Wednesday, cutting short a recent rebound as industry data showed an unexpected increase in U.S. inventories.

But prices were sitting on strong gains over the past week as persistent supply disruptions from Hurricane Francine and the prospect of lower rates saw traders pile into crude at heavily discounted levels.

An escalation in Middle East tensions also helped spur some demand for crude, as Hezbollah vowed retaliation against Israel after accusing it of detonating pagers across Lebanon this week.

Brent oil futures fell 0.4% to \$73.41 a barrel, while West Texas Intermediate crude futures fell 0.4% to \$69.69 a barrel by 21:17 ET (01:17 GMT). Both contracts rose sharply from near three-year lows over the past week.



Dollar steadied.

The dollar steadied on Wednesday as stronger-than-expected U.S. retail sales had traders slightly trimming bets that the U.S. easing cycle will begin with an outsized interest rate cut.

The Federal Reserve is expected to make its first interest rate cut in more than four years at 1800 GMT, which will be followed by a news conference half an hour later.

The dollar has fallen along with U.S. yields since July and at \$1.1119 per euro is not far from the year's low at \$1.1201 as traders anticipate easing at a clip, with more than 100 basis points of rate cuts priced in by Christmas.

It briefly fell below 140 yen in a holiday-thinned Asia session on Monday but changed hands at 142.02 yen early on Wednesday as a big week for the currency pair culminates with central bank meetings in the U.S. and, on Friday, in Japan.

August retail sales rose 0.1% in the U.S., data showed overnight, against expectations for a 0.2% contraction.

The Atlanta Fed's closely-followed GDPNow estimate was raised to 3% from 2.5% after the data. A rate cut is fully priced, with interest rate futures implying a 63% chance of a 50 basis point cut, after flirting with 70% a day earlier.

Traders say the Fed's tone as well as the size of the rate cut will drive the next moves in the foreign exchange market.

"A dovish Fed on a substantial easing path should generally lead to a weaker dollar," said Nathan Swami, head of currency trading at Citi in Singapore.

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