

# MARKET UPDATE

**23/09/2024**

## **Asian stocks rise.**

Most Asian stocks rose slightly on Monday amid persistent cheer over lower interest rates, while Australian markets lagged as major retail stocks fell sharply in the face of an antitrust lawsuit.

Chinese markets advanced after the People's Bank of China cut a short-term lending rate, although overall gains were limited.

Regional trading volumes were held back by a market holiday in Japan. A weak Friday close on Wall Street also made for middling cues, although U.S. stock index futures rose in Asian trade.

But Asian markets were sitting on strong gains from the prior week, as sentiment was boosted by an interest rate cut by the Federal Reserve, with the central bank also kicking off an easing cycle.

Markets were awaiting a string of key signals from the U.S. for more insight into the Fed, with several officials set to speak this week.

## **Gold prices hit record high.**

Gold prices hit a record high in Asian trade as the yellow metal benefited from persistent cheer over lower U.S. interest rates, with uncertainty before a storm of cues this week also buoying prices.

The yellow metal had surged to record highs last week after the Federal Reserve cut interest rates, and largely carried over this momentum. A softer dollar and Treasury yields also benefited broader metal markets.

Spot gold rose 0.3% to a record high of \$2,631.19 an ounce, while gold futures rose 0.4% to \$2,655.80 an ounce.

The yellow metal rose as the Fed cut rates by 50 basis points and signaled the beginning of an easing cycle that analysts expect to bring rates lower by as much as 125 bps this year. Lower rates bode well for gold, given that they reduce the opportunity cost of investing in non-yielding assets. Lower rates also reduce the appeal of the dollar and debt.

More signals from the Fed and the U.S. economy are due this week. A slew of Fed members, most notably Chair Jerome Powell, are set to speak in the coming days.



## Oil climbs on Middle East escalation fears.

Oil prices rose on Monday, buoyed by concerns that heightened conflict in the Middle East may curtail regional supply and expectations last week's outsized U.S. interest rate cut will support demand.

Brent crude futures for November were up 60 cents, or 0.8% at \$75.09 a barrel at 0415 GMT. U.S. crude futures for November were up 64 cents, or 0.9%, at \$71.64.

Both contracts rose in the previous session on support from the U.S. interest rate cut and a dip in U.S. supply in the aftermath of Hurricane Francine. Oil prices climbed last week for a second week.

A softer economic outlook from top consumers China and the U.S. capped further gains.

"Geopolitical tensions in the Middle East have edged up a notch between Israel and Hezbollah, which could leave oil prices well-supported on the risks of a wider regional conflict," said Yeap Jun Rong, market strategist at IG.

"However, price gains have been somewhat more measured, which may reflect some reservations over the actual impact on oil supplies, given that the Middle East conflict has been dragging for some time now with little disruptions so far."

Hezbollah, an Iranian-backed group based in Lebanon, and Israel exchanged heavy fire into Sunday, as the group sent rockets deep into northern Israeli territory after facing some of the most intense bombardment in almost a year of conflict.

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