MARKET UPDATE

27/09/2024

Oil prices dip on stronger supply prospects.

Oil prices eased for a third day on Friday and were on track to fall for the week as investors focused on expectations of increased output from Libya and the broader OPEC+ group, although fresh stimulus from top importer China limited losses.

Brent crude futures fell 20 cents, or 0.28%, to $71.40 per barrel as of 0433 GMT, while U.S. West Texas Intermediate crude futures were down 14 cents, or 0.21%, to $67.53.

On a weekly basis, Brent crude was set to shed 4%, while WTI was on track to slide 6%.

Though investors across asset classes cheered after Chinese authorities finally released bolder stimulus, oil markets seem fixated on Libya and OPEC this week, said Priyanka Sachdeva, senior market analyst at Phillip Nova.

"The recent decision by OPEC+ to ramp up production has only added to the gloom", said Sachdeva, adding that the oil market has been struggling with weakening demand over the past few months.

"While it's uncertain whether Chinese stimulus will translate into higher fuel demand, it may still offer some respite to the oil market."

China stocks set for best week since 2008.

Chinese stocks are headed for the best week since 2008 as Beijing rolled out a huge stimulus package to revive the economy, lifting Asian shares to 2-1/2-year highs, while a sharp fall in oil prices bodes well for disinflation globally.

The yen retreated to three-week lows ahead of a leadership contest of Japan's ruling Liberal Democratic Party on Friday, as investors looked to gauge what it could mean for the country's rate hike path.

In the United States, the core personal consumption expenditures (PCE) price index - the Fed's preferred measure of inflation - is due later in the day. Forecasts are centred around a small monthly rise of 0.2%, as markets are split on the size of an expected Federal Reserve rate cut in November.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 1.1% to its highest level since February 2022. It was headed for a weekly gain of 6%, thanks to a huge turnaround in Chinese shares.

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Intel and US to finalise $8.5 billion in chips funding.

Intel and the U.S. government will likely finalise $8.5 billion in direct funding for the chipmaker before the end of the year, the Financial Times reported on Friday, citing people familiar with the discussions.

The discussions were at an advanced stage, but there was no guarantee it will be finalised before 2024 end, the report said, adding that any takeover of all or part of Intel (NASDAQ:INTC)'s business could risk disrupting the talks.

Intel and the U.S. Department of Commerce did not immediately respond to Reuters' requests for comment.

U.S. President Joe Biden awarded Intel nearly $20 billion in grants and loans in March to boost the company's domestic semiconductor chip output.

The preliminary agreement was for $8.5 billion in grants and up to $11 billion in loans for Intel in Arizona, where some of the funding will be used to build two new factories and modernize an existing one.

Qualcomm (NASDAQ:QCOM) has approached Intel to explore a potential acquisition of the troubled chipmaker, Reuters reported earlier this month.

Once the dominant force in chipmaking, Intel ceded its manufacturing edge to rival Taiwan Semiconductor Manufacturing Co (TSMC) and failed to produce a widely desired chip for the generative artificial intelligence boom capitalized on by Nvidia (NASDAQ:NVDA) and AMD (NASDAQ:AMD).

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