

MARKET UPDATE

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Dollar sturdy after Powell pushes back.

The U.S. dollar firmed against its major peers on Tuesday after Federal Reserve Chair Jerome Powell pushed back against bets on more supersized interest rate cuts.

The yen steadied close to the middle of its range against the dollar over the past month, after a volatile two days as traders sized up Japan's incoming prime minister and his cabinet.

Australia's dollar edged towards Monday's high after upbeat domestic retail sales data.

Powell adopted a more hawkish tone in a speech at a conference in Tennessee, saying the U.S. central bank would likely stick with quarter-percentage-point interest rate cuts moving forward.

Traders remain certain that the Fed will cut again at the next policy setting meeting in November, but slashed expectations for a 50 basis-point (bps) reduction to 35.4% from 53.3% a day earlier, according to CME Group's (NASDAQ:CME) FedWatch Tool.

"The door has not been closed on a 50 bps cut, because if economic data tanks then such a cut is warranted. But Powell clearly thinks markets are overly excited" about upcoming cuts, said Matt Simpson, senior market analyst at City Index.

Asian stocks ease, dollar firms.

Asian stocks eased near two-and-half-year highs on Tuesday and the U.S. dollar firmed following hawkish comments from Federal Reserve Chair Jerome Powell that scuppered bets of big interest rate cuts, while Mid-East tension kept risk sentiment in check.

Oil prices were steady and gold traded just below a record high touched last week as investors awaited U.S. labour data for more clarity on the pace of U.S. rate cuts.

MSCI's broadest index of Asia-Pacific shares outside Japan was 0.13% lower at 620.05 on Tuesday, just below the two-and-a-half-year high of 627.66 touched on Monday. The index is up 17% so far in the year.

Japan's Nikkei rose 1.5% in early trading after shedding 4.8% on Monday as investors contended with perceived monetary policy hawk Shigeru Ishiba winning a contest to become the country's prime minister. (T)

Japanese shares were buoyed by a softer yen which stood at 144.09 per dollar in early trading. [FRX/]

Oil little changed as demand worries offset Mideast fears.

Oil prices were little changed on Tuesday as stronger supply prospects and tepid global demand growth outweighed worries that escalating tensions in the Middle East could impact output from the key exporting region.

Brent crude futures for December delivery edged up 7 cents, or 0.1%, to \$71.77 a barrel as of 0335 GMT. U.S. West Texas Intermediate crude futures for November delivery gained 8 cents, or 0.12%, to \$68.25.

On Monday, Brent futures ended September down 9%, its third month of declines and largest monthly drop since November 2022. It slumped 17% in the third quarter for its biggest quarterly loss in a year. WTI fell 7% last month and dropped 16% for the quarter.

"There have been a lot of reservations in place for oil prices, as market participants look towards upcoming supply additions from OPEC+ by the end of this year, alongside a still-soft demand outlook from China reflected in the country's latest PMI numbers," said Yeap Jun Rong, market strategist at IG.

"That said, sentiments have been less sensitive to the weaker data, finding room to stabilise on the hopes that recent raft of stimulus may help to jumpstart the economy ahead," said Yeap.

China's manufacturing activity shrank sharply in September as new orders at home and abroad cooled, pulling down factory owners' confidence to near record lows, a private-sector survey showed on Monday.

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