

# MARKET UPDATE

**02/10/2024**

## **Dollar firm as war widens in Middle East.**

The dollar held its sharpest gain in a week on Wednesday after an Iranian missile attack on Israel drove buying of safe assets as investors fretted about the widening of conflict in the Middle East.

Early Asia moves were slight, leaving the euro below \$1.10 following its largest drop in nearly four months overnight.

The bid for safety kept the yen broadly steady at 143.45 per dollar and the Swiss franc at 0.8463 per dollar. The New Zealand dollar was nursing a 1.1% overnight fall at \$0.6283 and oil prices had jumped 2.5%.

The U.S. dollar index rose about 0.5% overnight to 101.2, its largest rise since Sept. 25, which was also helped by a stronger-than-expected reading on U.S. job openings.

Israel said Iran fired more than 180 ballistic missiles and Iran's Revolutionary Guard Corps said the attack was retaliation for Israeli killings of militant leaders and aggression in Lebanon against the Iran-backed armed movement Hezbollah.

No injuries were reported in Israel. Iran previously struck Israel in April, without causing major damage or a lasting reaction in financial markets. However, the beginning of an Israeli ground assault against Hezbollah inside Lebanon and Israel's vow to respond opens the possibility of escalation.

## **Asia stocks slide, oil extends gains.**

Asia stocks sank on Wednesday, catching up with the sell-off on Wall Street after Iran's ballistic missile strike on Israel provoked fears of a wider regional conflict, while crude oil pushed higher on the risk of supply disruptions.

Investors flocked to safer assets, pushing U.S. Treasury bond yields down in Asian time, while gold hovered near an all-time high.

The safe-haven dollar traded close to its strongest in three weeks versus the euro. Macroeconomics also buoyed the dollar, with a resilient U.S. job market arguing for a smaller Federal Reserve interest-rate cut in November, and euro zone inflation trends backing a European Central Bank easing this month.

Japan's Nikkei slumped 1.5% as of 0022 GMT, while South Korea's KOSPI dropped 1.3% and Australia's benchmark lost 0.3%. MSCI's broadest index of Asia-Pacific shares slipped about 0.5%.



## Stocks fall, safe haven assets rally.

MSCI's global equities index fell with Treasury yields on Tuesday as investors shied away from riskier assets while oil futures rallied on concerns about supply after Iran launched missiles at Israel.

However Wall Street stocks ended above their session lows and Treasuries yields also pared declines on hopes that further escalation of the Middle East conflict was not imminent.

Earlier on Tuesday, Iran fired a salvo of ballistic missiles at Israel in retaliation for Israel's campaign against Tehran's Hezbollah ally in Lebanon. The United States condemned Iran's move and said it was consulting with Israel on a response after U.S. military forces helped Israel defeat the attack.

The U.S. dollar index rose and gold, traditionally a safe haven, rose during the session to more than 1% as investors looked for less risky places to put their money. Oil prices rallied as the escalating violence raised concerns about supply.

On top of geopolitical worries, U.S. investors worried about the aftermath of Hurricane Helene and the halt of about half of U.S. ocean shipping due to a strike by dockworkers on the East and Gulf Coasts after a midnight deadline passed with no sign of a new contract deal with port owners.

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