

MARKET UPDATE

03/10/2024

Dollar hits 6-week peak versus yen.

The dollar scaled a more than six-week high versus the yen on Thursday as robustness in the U.S. jobs market reinforced bets the Federal Reserve will not rush to cut interest rates.

Sterling tumbled to a two-week trough after Bank of England Governor Andrew Bailey said in an interview with the Guardian newspaper that the central bank could become "a bit more activist" on rate cuts if there was further good news on inflation.

The euro slid to a three-week trough after normally hawkish European Central Bank policymaker Isabel Schnabel took a dovish tone on inflation, cementing bets for a rate cut this month.

The yen has come under selling pressure since Japan's new prime minister said on Wednesday, following a meeting with the central bank governor, that the country is not ready for additional rate hikes.

European stocks mostly fall on Middle East tensions.

European stock markets mostly fell Thursday as the ongoing conflict in the Middle East weighed on sentiment, ahead of the release of regional economic activity data.

At 03:05 ET (07:05 GMT), the DAX index in Germany traded 0.4% lower and the CAC 40 in France fell 0.3%, while the FTSE 100 in the U.K. climbed 0.3%.

Middle East conflict escalates

Israel bombed central Beirut early on Thursday, killing at least six people, as it continued its pursuit of Iran-backed Hezbollah after beginning ground incursions in Lebanon on Tuesday.

Iran responded on Wednesday by firing around 180 ballistic missiles at Israel - its biggest ever assault on Israel. Tehran has said that it had finished, barring further provocation, but Israel and the United States promised to hit back hard.

"Escalation in the Middle East has led markets pricing in a greater risk of a fully-fledged conflict in the region, which could potentially involve the US," analysts at ING said, in a note.



Oil climbs on prospects of wider MidEast war.

Oil prices rose on Thursday as the prospect of a widening Middle East conflict that could disrupt crude oil flows from the key exporting region overshadowed a stronger global supply outlook.

Brent crude futures were up 94 cents, or 1.27%, to \$74.84 a barrel at 0615 GMT. U.S. West Texas Intermediate crude futures were up 99 cents, or 1.41%, to \$71.09.

Both benchmarks had jumped over \$1 earlier in the session.

"Following the initial jitters from geopolitical risks in the Middle East, we have seen some calm return to global markets, but of course, with market participants still keeping a side-eye on any upcoming Israeli response," said Yeap Jun Rong, a market strategist at IG.

"The question for oil now is whether Iran's energy infrastructure will be in Israel's crosshairs," said Yeap.

Israel bombed central Beirut early on Thursday, killing at least six people, after its forces suffered their deadliest day on the Lebanese front in a year of clashes against Iran-backed armed group Hezbollah.

The strike comes a day after Iran fired more than 180 ballistic missiles at Israel in an escalation of hostilities, which have seeped out of Israel and occupied Palestinian territories into Lebanon and Syria.

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