

MARKET UPDATE

04/10/2024

Oil edges up on Middle East conflict.

Oil prices inched up in early Asian trading hours on Friday, holding on to their strong weekly gains, as investors weighed the Middle East conflict and the potential disruption in crude flows against an amply-supplied global market.

Brent crude futures were up 9 cents, or 0.12%, to \$77.71 a barrel as of 0010 GMT. U.S. West Texas Intermediate crude futures were up 8 cents, or 0.11%, to \$73.79 a barrel.

Both benchmarks were on track for weekly gains of about 8%.

President Joe Biden said on Thursday the U.S. was discussing strikes on Iran's oil facilities as retaliation for Tehran's missile attack on Israel. The comments contributed to a 5% rally in oil prices.

The market has started to price in the likelihood of supply disruptions in the Middle East, which accounts for about a third of global supply, ANZ analyst Daniel Hynes said.

"The move has been exacerbated by bearish investors unwinding their bets on lower prices. The move could be extended if investors start building bullish positions in oil," Hynes said.

However, the supply fears have been tempered by OPEC's spare production capacity and the fact that global crude supplies have yet to be disrupted by the Middle East unrest.

Dollar poised for largest weekly gain since April.

The dollar hung around a six-week high on Friday, set for its biggest weekly gain since April due to safe-haven demand on rising Middle East tensions.

Market activity is expected to be subdued ahead of U.S. non-farm payrolls figures - due later in the day - which will help shape the Federal Reserve's outlook for interest rates.

Data on Thursday showed the number of Americans filing new applications for unemployment benefits increased marginally last week, with the U.S. labour market gliding at the end of the third quarter.

For the payrolls data, economists polled by Reuters expect 140,000 job additions, while the unemployment rate is anticipated to stay steady at 4.2%.

"There is little evidence to suggest a U.S. hard landing is on the horizon," said Prashant Newnaha, a senior Asia-Pacific rates strategist at TD Securities.



Asia shares fall, oil set for weekly gains.

Asian stocks retreated on Friday while oil prices headed for their sharpest weekly gain in more than a year, as escalating tensions in the Middle East kept markets on edge ahead of a U.S. jobs report later in the day.

U.S. President Joe Biden said on Thursday that the U.S. is discussing strikes on Iran's oil facilities as retaliation for Tehran's missile attack on Israel, while Israel's military hit Beirut with new air strikes in its battle against Lebanese armed group Hezbollah.

His comments sparked a surge in oil prices, which had already been on the rise this week following the widening conflict in the Middle East.

Brent crude futures eased 0.04% to \$77.59 a barrel on Friday but were headed for a weekly gain of about 7.8%, the largest since February 2023.

U.S. West Texas Intermediate (WTI) crude futures steadied at \$73.71 per barrel and were on track to advance 8.1% for the week, the most since March 2023.

"I think we're probably not far away from getting an Israeli response. The concern, obviously, is that President Biden confirmed that Iranian oil facilities were discussed as a potential target," said Tony Sycamore, a market analyst at IG.

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