MARKET UPDATE

08/10/2024

Oil retreats as investors pare bets on Middle East war.

Oil prices fell more than $1 a barrel on Tuesday as traders took profits from a rally in the previous session that lifted the market to its highest level in over a month on fears the Middle East could be on the brink of a region-wide war.

Brent crude futures fell $1.31, or 1.6%, to $79.62 per barrel at around 0600 GMT. U.S. West Texas Intermediate futures fell $1.29, or 1.7%, to $75.85 a barrel.

Both contracts rose more than 3% on Monday to their highest levels since late August, adding to last week's rally of 8%, the biggest weekly gain in over a year, on concerns that escalating hostilities could disrupt oil supply from the Middle East.

Fighting in the region intensified after Iran-backed Hezbollah fired rockets at Israel's third-largest city, Haifa, and Israel looked poised to expand its offensive into Lebanon, a year after the Hamas attack that sparked Israel's ongoing war in Gaza.

European stocks slip lower, weakness in US.

European stock markets retreated Tuesday, tracking overnight weakness on Wall Street as investors reassessed the path of US interest rates as well as the Middle East conflict and regional economic weakness.

At 03:05 ET (07:05 GMT), the DAX index in Germany traded 0.7% lower, the CAC 40 in France fell 1.2% and the FTSE 100 in the U.K. dropped 0.9%.

Weak lead from Wall Street

The main European indices have received a weak lead-in from Wall Street, after last week’s strong US jobs report prompted traders to rule out another outsized rate cut from the Federal Reserve at its next meeting in November.

Investors have also been disappointed by the return of Chinese markets after the mainland's week-long holiday, as sharp gains were quickly pared back as the lack of concrete stimulus measures by Beijing policymakers disappointed.

Before the Golden Week holiday, the Chinese government had rolled out a string of stimulus measures, including interest rate cuts, and investors had hoped for more earlier Tuesday.

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Chinese stocks leave Asian peers behind.

Mainland Chinese stocks returned from an extended break with a roaring start on Tuesday, though the optimism did not spill into regional share markets as Beijing fell short on delivering more details of its massive stimulus.

Hong Kong stocks, in particular, tumbled on Tuesday, reversing some of the rally they enjoyed while China's markets were closed for the week-long National Day holiday.

China's CSI300 blue-chip index surged 10% in early trade to its strongest since July 2022, while the Shanghai Composite Index jumped roughly the same amount to its highest mark since December 2021.

But Hong Kong's Hang Seng Index slid 7.6%, with the Hang Seng Mainland Properties Index falling more than 10%.

That left MSCI's broadest index of Asia-Pacific shares outside Japan down 2.2%.

"I think the movement today basically just explains that in the Chinese onshore market, it's just rising to a level that investors are comfortable with. And in Hong Kong, there may be a bit of a profit-taking or breaking even move," said Gary Ng, a senior economist at Natixis.

Mainland shares also erased some of their early gains over the course of the trading day, after the chairman of China's economic planner Zheng Shanjie provided little detail of how the country plans to roll out its support measures at a closely watched press conference on Tuesday.

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