MARKET UPDATE

16/10/2024

Asia stocks dip as tech losses weigh.

Most Asian stocks fell on Wednesday, as technology shares, particularly chipmakers, were battered by a weak outlook from industry bellwether ASML.

Cooling optimism over Chinese stimulus measures also weighed, with Chinese markets mostly extending steep losses from the prior session.

Regional markets took a weak lead-in from Wall Street, as a fall in heavyweight chipmaking stocks dragged U.S. benchmarks from record highs. U.S. stock index futures were steady in Asian trade, with focus on more upcoming third-quarter earnings reports.

Tech-heavy indexes were the worst performers in Asia, especially those with a heavy weightage of chipmaking stocks.

Japan'sNikkei 225 index slid 1.9%, weighed by a 13% fall in Lasertec Corp (TYO:6920) and a 10% drop in Tokyo Electron Ltd. (TYO:8035), while South Korea's KOSPI shed 0.7% on losses in SK Hynix Inc (KS:000660) and Samsung Electronics Co Ltd (KS:005930).

Chipmakers tracked declines in their U.S. peers after lithographic equipment maker ASML Holding NV (AS:ASML) posted weaker-than-expected sales guidance for 2025, citing soft demand in sectors not exposed to artificial intelligence.

Gold prices steady below record highs.

Gold prices steadied close to record highs in Asian trade on Wednesday, recouping some recent losses as traders maintained bets that the Federal Reserve will cut interest rates further.

The yellow metal had hit record highs in September, but has since remained rangebound in the low-to-mid $2,600 an ounce range as traders priced in a slower pace of rate cuts by the Fed. The dollar hit two-month highs on this notion, pressuring metal markets.

But markets maintained bets that U.S. rates will still come down gradually, presenting more upside for metals and other non-yielding assets. This kept gold close to recent peaks.

Still, gold is sitting on stellar gains so far this year, having hit a series of record highs on bets that U.S. interest rates will eventually fall.

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Oil steadies after sharp fall.

Oil prices inched higher in early trade on Wednesday on uncertainty over what may happen next in the Middle East conflict, after demand concerns knocked the market to its lowest since early October in the previous session.

Brent crude oil futures rose 14 cents, or 0.2%, to $74.39 a barrel by 0250 GMT. U.S. West Texas Intermediate crude futures climbed 19 cents, or 0.3%, to $70.77 per barrel.

Oil prices tumbled more than 4% to a near two-week low on Tuesday due to a weaker demand outlook and after a media report said Israel would not strike Iranian nuclear and oil sites, easing fears of a supply disruption.

However, concerns about an escalation in the conflict between Israel and Iran-backed militant group Hezbollah persist, with the U.S. on Tuesday saying it opposed the scope of Israel's air strikes in Beirut over the past few weeks.

On the oil demand side, both the Organization of the Petroleum Exporting Countries and the International Energy Agency this week cut their forecasts for global oil demand growth in 2024, with China accounting for the bulk of the downgrades.

For now, the market will be looking out for the latest U.S. oil inventory data, with the American Petroleum Institute's weekly report due later on Wednesday and Energy Information Administration data to come on Thursday. The reports are coming a day later than normal following a federal holiday.

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