

# MARKET UPDATE

**28/10/2024**

## **Asia stocks rise as Middle East fears ease.**

Most Asian stocks rose on Monday as concerns over the Israel-Iran conflict were soothed by a less severe than feared attack by Israel, while Japanese shares rose past increased political uncertainty.

Japanese markets were the best performers on Monday as the ruling Liberal Democratic Party lost its parliamentary majority, with investors betting that heightened political uncertainty will diminish the chances of more interest rate hikes by the Bank of Japan.

Israel attacked Iran over the weekend, but avoided hitting Tehran's oil and nuclear infrastructure, marking a less severe escalation in the long-running conflict. Most Asian markets rose on this notion, while oil prices slumped.

Regional markets took middling cues from a mixed Friday close on Wall Street, with focus turning squarely to a string of key technology earnings and economic readings due this week. U.S. stock index futures rose in Asian trade, on optimism over the Middle East.

## **Gold prices fall.**

Gold prices fell from near record highs in Asian trade on Monday as easing concerns over a bigger conflict in the Middle East dented safe haven demand for the yellow metal.

Traders were largely biased towards the dollar in anticipation of the 2024 presidential election, which is now a week away. Flows into the dollar were also spurred by expectations of increased political uncertainty in Japan, after a coalition led by the ruling Liberal Democratic Party lost its parliamentary majority in a weekend election.

Spot gold fell 0.7% to \$2,729.65 an ounce, while gold futures expiring in December fell 0.5% to \$2,741.80 an ounce by 00:11 ET (04:11 GMT).

### **M.East fears ease after Israeli strike**

Concerns over a bigger conflict in the Middle East eased after Israel did not attack Iran's oil and nuclear facilities in a strike over the weekend.

While Tehran did threaten retaliation for the attack, Iranian leaders also downplayed the impact of the Israeli strike.

This notion had fuelled safe haven demand for gold over the past month, with the yellow metal still remaining in sight of recent peaks.

## Yen slumps as Japan's election clouds rate rise prospects.

The yen sank to a three-month low on Monday as investors figured the loss of a parliamentary majority for Japan's ruling coalition in weekend elections would slow interest rate rises, while the U.S. dollar headed for a monthly gain on rising Treasury yields.

In the Asia session, the yen weakened as far as 153.88 per dollar and 166.06 per euro - on both counts its softest since late July. The yen was last down about 0.7% on the dollar with a 6.4% drop through October - the largest of any G10 currency.

A period of wrangling to secure a coalition is now likely after the Liberal Democratic Party and its junior partner Komeito won 215 lower house seats to fall short of the 233 majority.

Traders said the election would likely result in a government without the political capital to preside over rising rates and could usher in another era of revolving-door leadership.

Fumio Kishida may have been just short of three years in office but successor Shigeru Ishiba is still only Japan's fourth prime minister in a little over four years and further instability was widely expected to breed caution at the central bank, which meets to set rates this week.

"It's one more thing for them to consider when they should be looking at the economy," said State Street (NYSE:STT)'s Tokyo branch manager Bart Wakabayashi. "Are we going to have another series of prime ministers every 10-12 months? That would not be good for the yen."

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