

MARKET UPDATE

18/11/2024

Oil nudges up after Russia-Ukraine tensions escalate.

Oil prices edged up on Monday after fighting between Russia and Ukraine intensified over the weekend, although concerns about fuel demand in China, the world's second-largest consumer, and forecasts of a global oil surplus weighed on markets.

Brent crude futures gained 29 cents, or 0.4%, to \$71.33 a barrel by 0502 GMT, while U.S. West Texas Intermediate crude futures were at \$67.20 a barrel, up 18 cents, or 0.3%.

Russia unleashed its largest air strike on Ukraine in almost three months on Sunday, causing severe damage to Ukraine's power system.

In a significant reversal of Washington's policy in the Ukraine-Russia conflict, President Joe Biden's administration has allowed Ukraine to use U.S.-made weapons to strike deep into Russia, two U.S. officials and a source familiar with the decision said on Sunday.

There was no immediate response from the Kremlin, which has warned that it would see a move to loosen the limits on Ukraine's use of U.S. weapons as a major escalation.

Dollar inches up on yen.

The dollar rose against the yen on Monday after Japan's top central banker flagged further policy tightening ahead but left open the question of timing, leaving the market no clearer on whether a move would come next month.

Bank of Japan Governor Kazuo Ueda reiterated that interest rates would continue to rise gradually should the economy develop in line with the central bank's outlook.

However, he made no mention of whether a hike would come in December, saying the BOJ would need to pay attention to various risks, including for the U.S. economy.

Later in a media conference, Ueda added that they would not wait for clarity on all the risks before acting on rates, and delaying might end up requiring more aggressive hikes.

That left the market pricing in a 54% chance of a quarter-point hike at the next policy meeting on Dec. 19, little changed from before the speech.

This was his first opportunity to speak directly on monetary policy since Donald Trump's victory in the U.S. presidential election on Nov. 5, leading investors to wonder if he would be more specific on the prospects for a hike.

Shares rise ahead of Nvidia results.

Global stocks began the week on firmer footing ahead of a highly anticipated earnings release from Nvidia (NASDAQ:NVDA), while in Japan, comments from its central bank's head left markets none the wiser on the country's rate outlook.

Bank of Japan Governor Kazuo Ueda reiterated on Monday the central bank will keep raising rates if economic and price developments move in line with its forecasts, but made no mention of whether a hike could come in December.

However, he later said in a press conference that keeping inflation-adjusted real interest rates low for too long could cause excessive inflation and force the BOJ into hiking interest rates rapidly.

Ueda's comments had been closely watched by investors for clues on the BOJ's next rate hike, which could have acted as a catalyst to push back against the yen's weakness.

The Japanese currency has fallen some 7% since October against a resurgent dollar and last week weakened past the 156 per dollar level for the first time since July, keeping traders on alert for any intervention from Japanese authorities.

It was last marginally lower at 154.40 per dollar.

On the chance of a BOJ hike next month, IG market analyst Tony Sycamore said it would "depend on where dollar/yen is to a degree".

"If dollar/yen's up at around 160, I think that would increase the (chances) of a rate hike. But I think he's probably not unhappy with dollar/yen sitting around 150, 152. I think that probably keeps him on the sidelines until next year.

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