MARKET UPDATE

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Asia FX rattled by Trump tariff threat.

The Chinese yuan hit a four-month low against a rallying dollar on Monday as Asian currencies fell sharply on U.S. President-elect Donald Trump's latest threat to impose hefty tariffs on BRICS nations.

Trump threatened to impose 100% tariffs on BRICS countries - including Brazil, Russia, India, China, and South Africa - in a social media post on Sunday. He vowed of severe economic consequences for any nation attempting to undermine the U.S. dollar's dominance by backing alternative currencies. His warning, aimed at countries seeking to reduce their reliance on the dollar in global trade, sent ripples through Asian markets, with concerns mounting over potential disruptions in trade relations.

The threat follows Trump's earlier vow to impose higher tariffs on goods from China, Mexico, and Canada, sparking fears of a renewed trade war between the world's largest economies. Heightened tensions weighed heavily on sentiment towards risk-driven markets in Asia, denting regional currencies.

The US Dollar Index surged 0.5%, while the US Dollar Index Futures jumped 0.4%, benefiting from the greenback's status as a global safe-haven asset.

Asia stocks rise on upbeat Chinese PMIs.

Most Asian stock markets advanced on Monday with Chinese markets leading gains following a string of positive business activity readings from the country, although overall gains were held back by threats of more tariffs from U.S. President-elect Donald Trump.

Regional markets took a positive lead-in from a record-high close on Wall Street on Friday, as investors maintained bets that the Federal Reserve will cut rates later in December. But U.S. stock index futures edged lower in Asian trade, following Trump's tariff threat.

Chinese shares jump on upbeat factory activity

The Shanghai Shenzhen CSI 300 and Shanghai Composite indexes rose 0.5%, and 0.8%, respectively, while Hong Kong's Hang Seng index edged up 0.2%.

China's factory activity expanded in November, with the Caixin Manufacturing PMI rising to 50.3 from 50.1 in October, data showed on Monday. This marks the highest reading since June, driven by stronger output and new orders, reflecting the positive effects of recent government stimulus measures.

Oil rises on upbeat China data.

Oil prices rose on Monday, supported by strong factory activity in China, the world's second-largest oil consumer, and heightened tensions in the Middle East as Israel resumed attacks on Lebanon despite a ceasefire agreement.

Brent crude futures climbed 57 cents, or 0.79%, to $72.41 a barrel by 0700 GMT while U.S. West Texas Intermediate crude was at $68.58 a barrel, up 58 cents, or 0.85%.

"Oil prices have managed to stabilise into the new week, with the continued expansion in China's manufacturing activities reflecting some degree of policy success from recent stimulus efforts," said Yeap Jun Rong, market strategist at IG.

This offered slight relief that oil demand from China may hold for now, he added.

A private-sector survey showed China's factory activity expanded at the fastest pace in five months in November, boosting Chinese firms' optimism just as U.S. President-elect Donald Trump ramps up his trade threats.

Still, traders are eyeing developments in Syria, weighing if they could widen tension across the Middle East, Yeap said.

A truce between Israel and Lebanon took effect on Wednesday, but each side accused the other of breaching the ceasefire.

In a statement, the Lebanese health ministry said several people were wounded in two Israeli strikes in south Lebanon. Air strikes also intensified in Syria, as President Bashar al-Assad vowed to crush insurgents who had swept into the city of Aleppo.

Last week, both benchmarks suffered a weekly decline of more than 3%, on easing concerns over supply risks from the Israel-Hezbollah conflict and forecasts of surplus supply in 2025, even as OPEC+ is expected to extend output cuts.

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