

MARKET UPDATE

05/12/2024

Oil slightly firmer ahead of OPEC+ decision.

Oil prices were mostly stable on Thursday ahead of an OPEC+ meeting later in the day, with investors waiting to see what the producer group would do next on supply cuts while also monitoring geopolitical tension in the Middle East.

Brent crude futures rose 6 cents, or 0.08%, to \$72.37 a barrel by 0400 GMT, while U.S. crude futures were at \$68.61 a barrel, up 7 cents, or 0.10%.

Both benchmarks fell nearly 2% on Wednesday. A single bank sold a large volume of U.S. oil futures contracts in early afternoon trading on Wednesday, a person with direct knowledge of the matter said, pushing prices down.

The Organization of the Petroleum Exporting Countries and its allies in OPEC+ are likely to extend their latest round of oil production cuts by at least three months from January when it meets online at 1100 GMT on Thursday, OPEC+ sources told Reuters, to provide additional support for the oil market.

OPEC+ has been looking to phase out supply cuts through next year.

Euro drifts as political turmoil dents sentiment.

The euro was subdued on Thursday after the widely expected collapse of the French government, stoking worries about the region's second-biggest economic power, while bitcoin galloped past \$100,000 for the first time.

The world's best known cryptocurrency has been on a tear since November on expectations that Donald Trump's U.S. election win will usher in a friendly regulatory environment for cryptocurrencies.

It rose to as high as \$101,626 in Asian hours and was last up 3% at \$100,882, taking its year-to-date gains to 138%.

The euro was fetching \$1.052175, trading in tight ranges in Asian hours but was close to the two-year low of \$1.03315 it touched at the end of November as traders brace for a long-winded reckoning for France.

French lawmakers passed a no-confidence vote against the government on Wednesday, as expected, throwing the country deeper into a crisis that threatens its capacity to legislate and tame a massive budget deficit.

Asian stocks see heavy outflows for second straight month.

Asian stocks were under selling pressure from foreign investors for a second consecutive month in November amid worries over potential U.S. tariff hikes on regional exports under the incoming Donald Trump administration next year.

Foreigners net withdrew \$15.88 billion out of equity markets in Taiwan, South Korea, India, Thailand, Indonesia, Vietnam and the Philippines, following a net \$15.38 billion worth of sales in the prior month, LSEG data showed. It was their largest monthly net selling since June 2022.

"What we have seen in November is a reaction to Trump 2.0, where there are concerns that U.S. President-elect Donald Trump's protectionist stance could mean a follow-through of his tariff threats, which may negatively impact Asian export-driven economies," said Yeap Jun Rong, market strategist at IG.

Last month, Trump pledged to impose significant tariffs on the United States' three largest trading partners, including China, a move that could impact regional exports heavily reliant on strong supply chains with China.

Chetan Seth, an analyst at Nomura, highlighted a bleak outlook for Asian stocks into 2025, attributing the pessimism to factors including impending tariffs, trade tensions, a potentially stronger USD, rising bond yields and less supportive monetary policies, compounded by China's delay in implementing anticipated stimulus measures.

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