

# MARKET UPDATE

**18/12/2024**

## **Gold prices steady ahead of Fed rate decision.**

Gold prices were largely steady in Asian trade on Wednesday after falling in the previous session, as the Federal Reserve kicked off its December policy meeting that is expected to conclude with a rate cut.

However, markets remain concerned about the long-term rate outlook in the U.S.. The Fed is expected to lower interest rates more gradually next year after cutting it at the end of its two-day meeting on Wednesday.

Spot gold was largely unchanged at \$2,646.10 an ounce, while gold futures expiring in February were marginally lower at \$2,660.72 an ounce by 22:51 ET (03:51 GMT).

Gold under pressure on expectations of slower Fed rate cut path in 2025

The Fed is widely expected to cut interest rates by 25 basis points, but the focus will be on the Fed's future economic projections and Chair Jerome Powell's comments.

Signals on the Fed's long-term rate outlook remain in focus as inflation has remained stubborn and is expected to rise further under upcoming President Donald Trump.

## **Dollar strong ahead of Fed meeting.**

Stocks stalled while the dollar drifted higher on Wednesday as investors made last-minute adjustments to portfolios in the countdown to the year's final salvo of central bank meetings, while news of a potential Nissan-Honda tie-up lifted car stocks.

S&P 500 futures were flat in the Asia session after the index fell in U.S. trade. European futures and FTSE futures were about 0.2% lower. MSCI's broadest index of Asia-Pacific shares outside Japan was huddled near a two-week low and had inched 0.2% higher by afternoon.

The dollar strode to a one-year high against the Australian dollar and a two-year top against the New Zealand dollar as expectations firmed for the Federal Reserve, later on Wednesday, to signal a cautious approach to rates in 2025.

Traders are almost certain the Fed will move the funds rate window 25 basis points lower - from its current 4.5-4.75% range - but lift its long-run interest rate projections.

The market reaction is likely to focus on the communication and potential guidance for further cuts," said David Doyle, head of economics at Macquarie.

## Oil prices little changed.

Oil prices traded in a narrow range early on Wednesday as investors remained cautious ahead of an expected interest rate cut by the U.S. Federal Reserve.

Brent futures inched up 12 cents, or 0.16%, to \$73.31 a barrel by 0134 GMT, while U.S. West Texas Intermediate crude rose 11 cents, or 0.16%, to \$70.19 a barrel.

The Fed on Wednesday is widely expected to cut interest rates for the third time since its policy easing cycle began.

More important for the oil market will be any comments on interest rate moves in 2025, analysts say.

"Projections for rate cuts in 2025 are being second-guessed, especially with Trump planning a comeback on January 20. There is a prevailing narrative that Trump's policies may lead to inflation, which, coupled with concerns about potential interference with the Federal Reserve's autonomy, is causing oil investors to remain cautious," said Priyanka Sachdeva, senior market analyst with Phillip Nova.

Lower rates decrease borrowing costs, which can boost economic growth and demand for oil.

The European Union on Tuesday adopted a 15th package of sanctions against Russia over its invasion of Ukraine, adding an additional 33 vessels from Russia's shadow fleet used for transporting crude or petroleum products. Britain also sanctioned 20 ships for carrying illicit Russian oil.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement