MARKET UPDATE

23/12/2024

Oil gains as cooling US inflation.

Oil prices rose on Monday as lower-than-expected U.S. inflation data revived hopes for further policy easing, although the outlook for a supply surplus next year weighed on the market.

Brent crude futures rose 36 cents, or 0.5%, to $73.30 a barrel by 0421 GMT. U.S. West Texas Intermediate crude futures climbed 39 cents, or 0.6%, to $69.85 per barrel.

"Risk assets, including U.S. equity futures and crude oil, have started the week on a firmer footing," IG markets analyst Tony Sycamore said, adding that cooler inflation data helped alleviate concerns following the Federal Reserve's hawkish rate cut.

"I think the U.S. Senate passing legislation to end the brief shutdown over the weekend has helped," he said.

Both oil benchmarks fell more than 2% last week on concerns about global economic growth and oil demand after the U.S. central bank signalled caution over further easing of monetary policy. Research from Asia's top refiner Sinopec (OTC:SHIIY) pointing to China's oil consumption peaking in 2027 also weighed on prices.

Money managers raised their net-long U.S. crude futures and options positions in the week to Dec. 17, the U.S. Commodity Futures Trading Commission (CFTC) said on Friday.

Asia stocks rise on US inflation cheer.

Most Asian stocks rose on Monday, tracking gains in Wall Street after softer U.S. inflation data spurred bets that interest rates will still fall in the coming year.

Japanese stocks were among the better performers for the day, buoyed by speculation over a potential merger between Honda (NYSE:HMC) and Nissan (OTC:NSANY), as reports said a deal was close.

Regional markets took positive cues from Wall Street, which surged on Friday after PCE price index data- the Federal Reserve’s preferred inflation gauge- read softer than expected for November. The reading helped ease some concerns that U.S. rates will fall at a slower pace in 2025, especially after the Fed struck a hawkish tone during a meeting last week.

U.S. stock futures rose in Asian trade, also supported by optimism over the U.S. government avoiding a shutdown.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

Gold prices edge higher.

Gold prices edged higher in Asian trade on Monday after suffering heavy losses last week as a slightly softer U.S. inflation print provided some respite, although caution remained following the Federal Reserve's hawkish stance.

Spot Gold was 0.2% higher at $2,626.65 per ounce, while Gold Futures expiring in February inched 0.1% lower to $2,642.32 an ounce by 22:15 ET (03:15 GMT).

The yellow metal had lost 1% last week after the Fed officials projected fewer interest rate cuts in 2025 in the face of sticky inflation. This hawkish tilt had bolstered the U.S. dollar and created downward pressure on gold prices.

Gold prices remain under pressure after Fed meeting, markets mull over PCE data

Gold prices had hit a one-month low on Wednesday, as the markets lowered expectations for the number of Fed rate cuts in 2025.

Markets now expect the first cut of 2025 to come in June, and are pricing in roughly two reductions in the upcoming year, according to CME FedWatch Tool.

Higher interest rates put downward pressure on gold as the opportunity cost of holding gold increases, making it less attractive compared to interest-bearing assets like bonds.

U.S. data released on Friday showed that PCE price index data—Fed's favored inflation gauge —rose 0.1% in November, a slower pace from October's 0.2% increase. This brought the annual PCE inflation rate to 2.4%, slightly below estimates of 2.5%.