

MARKET UPDATE

24/12/2024

Gold prices edge up, remains pressured by strong dollar.

Gold prices edged higher in Asian trade on Tuesday, extending their tepid performance as investors still remained cautious with the rising dollar following the U.S. Federal Reserve's hawkish tilt.

Traders also refrained from placing large bets ahead of a shortened trading week due to the Christmas holiday.

Spot Gold inched up 0.2% to \$2,617.22 per ounce, while gold futures expiring in February ticked up 0.1% to \$2,631.89 an ounce by 21:46 ET (02:46 GMT).

The yellow metal had inched up 0.3% on Monday, after losing more than 1% in the previous week, reflecting uncertainty about the metal's outlook.

Bullion under pressure on Fed rate outlook

Gold prices had hit a one-month low on Wednesday, as the Fed meeting indicated that rates will remain higher for a longer period after Wednesday's cut.

Prices have failed to fully recover from it and have seen subdued moves as investors still assessed the implications of the Fed's rate outlook.

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

Asia FX muted, dollar recovers.

Most Asian currencies moved in a tight range on Tuesday, while the dollar extended overnight gains as traders positioned for a slower pace of interest rate cuts in the coming year.

Trading volumes were muted before the Christmas break, while most regional currencies were nursing steep losses against the greenback for the year.

Asian currencies weakened sharply last week after the Federal Reserve effectively halved its outlook for rate cuts in 2025, citing concerns over sticky U.S. inflation.

Dollar near 2-year high on hawkish rate outlook

The dollar index and dollar index futures both rose about 0.1% in Asian trade, extending overnight gains and coming back in sight of a two-year high hit last week.

Oil prices rise in thin pre-Christmas trade.

Oil prices rose on Tuesday, reversing the prior session's losses, buoyed by slightly positive market outlooks for the short term and stronger U.S. economic data, despite thin trade ahead of the Christmas holiday.

Brent crude futures were up 33 cents, or 0.5%, to \$72.96 a barrel, and U.S. West Texas Intermediate crude futures rose 29 cents, or 0.4%, to \$69.53 a barrel at 0422 GMT.

FGE analysts said they anticipated the benchmark prices would fluctuate around current levels in the short term "as activity in the paper markets decreases during the holiday season and market participants stay on the sidelines until they get a clearer view of 2024 and 2025 global oil balances."

Supply and demand changes in December have been supportive of their current less-bearish view so far, the analysts said in a note.

"The year is ending with the consensus from major agencies over long 2025 liquids balances starting to break down," said Neil Crosby, Sparta Commodities' assistant vice-president of oil analytics, in a note. "The EIA's STEO (short-term energy outlook) recently shifted their 2025 liquids to a draw despite continuing to bring back some OPEC+ barrels next year."

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