

# MARKET UPDATE

**02/01/2025**

## **Gold prices edge up as dollar weakens.**

Gold prices rose slightly in Asian trade on Thursday, extending their strong performance from 2024 as a weaker U.S. dollar provided support, while traders remained cautious given the U.S. Federal Reserve's projection of fewer interest rate cuts this year.

Spot Gold rose 0.3% to \$2,632.82 per ounce, while Gold Futures expiring in February edged 0.1% higher to \$2,644.47 an ounce by 23:06 ET (04:06 GMT).

Gold ends 2024 with hefty gains, 2025 outlook dim on Fed rate outlook

The yellow metal jumped 27% in 2024, marking its best year since 2010, helped by the Fed's outsized rate cuts in the previous year and geopolitical tensions around the globe.

When interest rates are low, the opportunity cost of holding gold decreases compared to interest-bearing assets like bonds or savings accounts. As a result, investors typically allocate more capital to gold as a store of value and a hedge against uncertainty.

While gold prices rose for most of the year, the Fed's December meeting acted as a bump as it signaled only two more rate cuts in 2025

Gold prices had fallen sharply after the Fed meeting and have seen subdued movements since then, reflecting a cautious outlook for next year.

## **Dollar eases in cautious start to 2025.**

The U.S. dollar wobbled at the start of 2025 trade on Thursday after a strong year of gain against most currencies, with the yen anchored near its lowest level in more than five months as investors ponder U.S. interest rates staying higher for longer.

Market focus early in the year will be on the incoming Trump administration and its policies that are widely expected to not only boost growth but also add to price pressure. That will underpin U.S. Treasury yields and boost dollar demand.

A wide interest rate difference between the U.S. and other economies has cast a shadow over the foreign exchange market over the past year, resulting in most currencies declining sharply against the dollar in 2024.

None more so than the yen, which slid more than 10% in 2024 for its fourth year of decline. It was little changed on the first trading day of 2025 at 157.10 per dollar, not far from the five-month low touched on Tuesday, keeping traders wary of intervention from Japanese authorities.



## Oil rises as investors return from holidays.

Oil prices nudged higher on Thursday, the first day of trade for 2025, as investors returning from holidays cautiously eyed a recovery in China's economy and fuel demand following a pledge by President Xi Jinping to promote growth.

Brent crude futures rose 17 cents, or 0.06%, to \$74.82 a barrel by 0547 GMT after settling up 65 cents on Tuesday, the last trading day for 2024. U.S. West Texas Intermediate crude futures gained 19 cents, or 0.26%, to \$71.91 a barrel after closing 73 cents higher in the previous session.

China's Xi said on Tuesday in his New Year's address that the country would implement more proactive policies to promote growth in 2025.

China's factory activity grew in December, according to the private-sector Caixin/S&P Global survey on Thursday, but at a slower than expected pace amid concerns over the trade outlook and risks from tariffs proposed by U.S. President-elect Donald Trump.

The data echoed an official survey released on Tuesday that showed China's manufacturing activity barely grew in December, though services and construction recovered. The data suggested policy stimulus is trickling into some sectors as China braces for new trade risks.

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