

# MARKET UPDATE

**23/01/2025**

## **Asia FX extends losing streak.**

Most Asian currencies edged lower on Thursday, extending their subdued performance amid concerns over new U.S. tariffs under Donald Trump's administration, while attention shifted to the Bank of Japan's policy meeting set to begin later in the day.

The BoJ is widely expected to raise interest rates at the end of its two-day meeting on Friday.

Analysts believe that recent inflation and wage data have been encouraging and support the central bank's decision to raise interest rates.

Media reports have shown the BoJ will likely signal further interest rate hikes at its meeting if the economy maintains its recovery.

The Japanese yen's USD/JPY was largely muted ahead of the rate decision.

Asia FX subdued on US tariff concerns

Other regional currencies were under pressure in anticipation of additional U.S. tariffs.

Following his inauguration on Monday, Trump signalled plans to impose 10% tariffs on Chinese imports starting February 1, and warned of potential levies on the European Union.

## **Oil prices dip with Trump policies.**

Oil prices fell slightly in Asian trade on Thursday, extending a recent downturn as traders braced for higher U.S. production under President Donald Trump while also awaiting more data on U.S. inventories.

Crude prices tumbled from a near six-month high in the past week, as uncertainty over Trump's energy and trade policies weighed. The signing of a ceasefire between Israel and Hamas also sapped some risk premium from crude.

But overall losses in oil were still limited by expectations of increased heating demand, as a polar vortex sparked cold weather in the U.S. and Europe. Recent U.S. sanctions against Russia also underpinned oil with the prospect of tighter supplies.

Brent oil futures expiring in March fell 0.3% to \$78.80 a barrel, while West Texas Intermediate crude futures fell 0.2% to \$75.27 a barrel by 20:21 ET (01:21 GMT).

US inventories seen increasing after 5 weeks of draws.

## Gold prices steady near 3-mth high.

Gold prices were largely muted on Thursday but held near three-month highs, as the U.S. dollar faced downward pressure after President Donald Trump avoided swift imposition of tariffs at the outset of his second term.

Spot Gold was largely unchanged at \$2,755.14, near its highest level since late October, while Gold Futures expiring in February lost 0.3% to \$2,763.39 an ounce by 01:35 ET (06:35 GMT).

The yellow metal saw three straight days of gains this week as safe-haven demand grew while traders tried to gauge Trump's policies. His policies are expected to elevate inflation, and gold is seen as a hedge against inflation.

### Weak dollar supports gold prices

The dollar had fallen sharply on Monday and has remained relatively weak this week as Trump avoided details on the imposition of U.S. trade tariffs, further supporting gold prices.

Trump said on Tuesday he was considering imposing 10% tariffs on Chinese imports from February 1, and also vowed to hit the European Union with tariffs. This showed that tariffs were expected to come at a gradual pace.

The increased tariffs will likely result in reduced trade imbalances and higher inflation in U.S., which are both dollar-positive.

The US Dollar Index was slightly weaker in Asian trade on Thursday.

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