

MARKET UPDATE

05/02/2025

Gold prices hit record high.

Gold prices hit a record high in Asian trade on Wednesday as safe haven demand for the yellow metal was underpinned by persistent concerns over a brewing trade war between the U.S. and China.

U.S. President Donald Trump's comments on the U.S. taking over the Gaza strip and relocating Palestinians from the region also drove haven demand, given that it drew a sharp rebuke from several countries in the region.

Bullion prices were also aided by weakness in the dollar, which wiped out all of its gains this week after U.S. President Donald Trump postponed trade tariffs on Mexico and Canada.

Spot gold jumped 0.6% to a record high of \$2,858.27 an ounce, while gold futures expiring in April rose 0.4% to \$2,885.39 an ounce.

Gold surges as US-China trade tensions simmer

Bullion prices benefited from safe haven buying after Trump's 10% tariffs on China took effect from Tuesday. Beijing retaliated to this with its own import tariffs, export controls, as well some measures against select U.S. companies, such as Google

China shares dip on US trade woes.

Asian stocks were mixed on Wednesday with Chinese stocks falling on escalating U.S.-China trade tensions, while investors assessed stronger-than-expected inflation prints from South Korea and the Philippines.

U.S. stock index futures were lower in Asian trade with losses in technology stocks after underwhelming earnings from Google parent firm Alphabet (NASDAQ:GOOGL).

Chinese markets react to US trade tensions

Chinese markets resumed trade after a week-long Lunar New Year holiday, during which Trump imposed a 10% tariff on Chinese imports.

China's Shanghai Composite fell 0.4% on Monday, while the Shanghai Shenzhen CSI 300 index lost 0.3%. Hong Kong's Hang Seng index dropped 1%.

China has announced retaliatory tariffs on U.S. goods, including a 15% levy on coal and liquefied natural gas, and a 10% tariff on crude oil, farm equipment, and certain vehicles. These tariffs are set to take effect on February 10, 2025.



Yuan slips on trade-war anxiety.

The yuan sank on Wednesday as a new Sino-U.S. trade war shook Chinese markets returning from an extended Lunar New Year break, while the yen jumped on rising bets of more Bank of Japan (BOJ) rate hikes this year.

The dollar rose more than 0.5% against the yuan to a high of 7.2863 in onshore trade, though its gains were capped by the People's Bank of China (PBOC) setting a stronger-than-expected yuan midpoint rate, around which the currency is allowed to trade in a 2% band.

The fixing had been closely watched by investors for clues on whether Beijing would allow the currency to weaken to blunt the impact of sweeping new tariffs imposed by U.S. President Donald Trump.

China on Tuesday slapped tariffs on U.S. imports in a swift response to the U.S. duties on Chinese goods, and Trump said the same day he is in no hurry to speak to Chinese President Xi Jinping to try to defuse a new trade war between the world's two largest economies.

"Our base case is that China will increase its tolerance for currency weakness in response to the U.S. tariffs," said Carol Kong, a currency strategist at Commonwealth Bank of Australia (OTC:CMWAY) (CBA).

"I think ultimately, allowing the yuan to weaken will be one of the responses China takes, and I would expect further retaliation from China if the U.S. retaliates with even more tariffs."

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