

MARKET UPDATE

18/03/2025

Oil prices extend gains.

Oil prices extended gains in Asian trading on Tuesday after Israel launched airstrikes across Gaza, reportedly breaching a ceasefire after stalled hostage negotiations.

Oil struggled to post significant gains as investors remained cautious ahead of the Federal Reserve's policy meeting later in the day.

Brent Oil Futures expiring in May rose 0.4% to \$71.32 per barrel as of 22:51 ET (02:51 GMT), while West Texas Intermediate (WTI) crude futures also gained 0.4% to \$67.61 per barrel.

Both contracts ended nearly 0.7% higher on Monday, buoyed by geopolitical tensions in the Red Sea, and optimism surrounding China's plan to boost consumption.

Israel resumes airstrikes in Gaza amid ceasefire breakdown.

Israel launched extensive airstrikes across the Gaza Strip on Tuesday, marking the most significant escalation since the January ceasefire. The Israeli military targeted multiple Hamas positions, resulting in at least 100 fatalities, according to Gaza's Health Ministry.

Prime Minister Benjamin Netanyahu authorized these operations following stalled negotiations to extend the ceasefire and unresolved hostage situations.

His office stated that the strikes were a response to Hamas's refusal to release hostages and rejection of proposals from U.S. envoy Steve Witkoff and other mediators.

Asia stocks rise with Hong Kong up on AI.

Most Asian stocks rose on Tuesday, with Hong Kong markets rallying on increasing optimism over more Chinese stimulus, while confidence in the country's AI capabilities drove buying into major technology shares.

Japanese shares were also standout performers, with the country's five largest trading houses marking strong gains after billionaire investor Warren Buffett's Berkshire Hathaway Inc increased its holdings in the companies.

Hong Kong soars on AI hype, China stimulus cheer

Hong Kong's Hang Seng index was the best performer in Asia, rallying nearly 2% to three-year highs on buying into heavyweight technology stocks. Baidu Inc soared 10% after the company launched two new AI models, including one which it claimed rivalled DeepSeek- which has become a hot topic for the AI industry.

Dollar steadies near 5-month low.

The U.S. dollar steadied above a five-month trough against major peers on Tuesday as investors awaited the latest economic projections from the Federal Reserve amid concerns about the impact of intensifying global trade tensions.

The euro held below last week's peak of \$1.0947, its strongest since October 11, ahead of an expected vote on Germany's massive stimulus proposal, while the yen gave up some of its recent gains on safe-haven bids.

Fears that U.S. President Donald Trump's aggressive tariff policies could trigger a broader economic slowdown have undermined the greenback amid a string of soggy sentiment surveys.

The Fed is among a handful of central banks expected to stand pat on rates at their meetings this week, along with the Bank of Japan and Bank of England, keeping markets focussed on any forward guidance from officials.

The U.S. central bank will also publish new economic projections, offering investors the most tangible evidence yet of how U.S. central bankers view the likely impact of the Trump administration's policies on the economy.

"Inflation expectations have gone up, but sentiment has gone down...It's a very confusing point in time, and the Fed, I don't think they have enough data either way," said Bart Wakabayashi, Tokyo branch manager at State Street (NYSE:STT).

Markets are hedging their bets, currently pricing in about 60 basis points of Fed cuts, a little over two reductions, for the rest of the year.

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