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MARKET UPDATE

October 2024



The Federal Reserve cut interest rates by 50 basis points

The Federal Reserve cut interest rates by 50 basis points on September 18 (local time), lowering the federal funds rate to a range of 4.75% to 5%. This marks the first rate cut since March 2020.



Image source:
google

From March 2022 to July 2023, the Federal Reserve raised interest rates consecutively 11 times, totaling a 525 basis point increase. Over the past year, the US Federal Reserve kept its federal funds rate unchanged in the 5.25%-5.5% target range, which is the highest level in 23 years.

The Federal Reserve's statement indicates that the risks to achieving its employment and inflation goals are roughly in balance, reaffirming its strong commitment to supporting maximum employment and returning inflation to its 2 percent objective.

The Federal Reserve's dot plot shows a projected total rate cut of 100 basis points in 2024, following the 50 basis point cut in September, with an additional 50 basis points expected. The Federal Reserve is expected to cut rates by another 100 basis points in 2025, which aligns with the rate cut projections from the June dot plot.

At the post-meeting press conference, Fed Chair Jerome Powell stated that rate adjustments will depend on economic data, and the timing and speed of interest rate cuts will depend on how the economy performs.

Bank of England kept its main interest rate on hold at 5%

On September 19, the Bank of England announced it would keep the benchmark interest rate at 5%, in line with market expectations. In August, the bank had lowered the rate from a 16-year high of 5.25% to 5.0%.



Image source:
google

At the same time, the Bank of England continued its balance sheet downsizing, announcing it would maintain the pace of gilt stock reduction at £100 billion over the 12 months ahead.

The Bank of England also provided forecasts for the future economic outlook. They anticipate a 0.3% quarter-on-quarter GDP growth in the third quarter, slightly lower than the 0.4% predicted in August. However, they believe the underlying growth rate for the second half of the year will remain around 0.3%, reflecting a cautiously optimistic view of the economic outlook.

Bank of England Governor Andrew Bailey emphasized that although inflation pressures have eased, it is not yet the time for significant rate cuts.

Currently, the money markets have reduced their bets on the extent of rate cuts by the Bank of England this year, now expecting a decrease of 41 basis points by December, down from the previous expectation of a 50 basis point cut.

Image source:
google



The Reserve Bank of Australia kept interest rates unchanged

On September 24, the Reserve Bank of Australia kept the interest rate unchanged at 4.35% for the seventh consecutive meeting, in line with market expectations.

The Reserve Bank of Australia stated that the committee is firmly committed to restoring inflation to target levels. They reiterated that no policy options are off the table.

The Reserve Bank of Australia noted that Inflation remains above target and is proving persistent. They believe it may not return to target levels on a sustained basis until 2026.

RBA Governor Michele Bullock stated that interest rates will remain unchanged for some time. He noted that progress on core inflation in the third quarter may still be slow.

Hot symbol preview

The dollar is at a one-year low and may decline more in October

In September, the US dollar index fell under pressure due to weak US economic data and significant interest rate cuts by the Federal Reserve, reaching a new low since July 2023.

From a technical perspective, the US dollar index is fluctuating downward, with a prevailing bearish trend. Current resistance level to watch is around 102.0. If a rebound fails to break through this level, it is likely to continue its downward trend. Support is around 99.5, and if it breaks that level, the next support is near 97.7. A breakout above the resistance at 103.5 would signal an upward trend.



The Euro is consolidating at high levels, likely to rally in October

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In September, the euro gained strength against the US dollar due to a decline in the US dollar index and the European Central Bank's decision to keep its three key interest rates unchanged, reaching a high in over a year.

From a technical perspective, EURUSD is trending upward with a bullish momentum. Currently, support is around 1.100; as long as this level holds, there's potential for further gains. Resistance to watch is near 1.127, and a breakout above that could lead to resistance around 1.150. However, if the price drops below the support at approximately 1.088, it could signal a downward trend.

The British pound has hit a 2-year high and could go even higher in October

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In September, the British pound rose against the US dollar, reaching a new high since February 2022, influenced by the Federal Reserve's significant rate cuts and the Bank of England's decision to keep its benchmark rate unchanged.

From a technical perspective, GBPUSD is showing a sustained upward movement, with bullish momentum prevailing. Current support level is around 1.323. A rebound without breaking this level indicates the potential for further upward movement. Resistance is expected around 1.349. If this level is breached, the next resistance is seen at 1.375. However, if the price falls below the support at approximately 1.300, a downward trend may begin.

Gold hits a new all-time high and is poised to strengthen further in October

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Gold prices surged in September, breaking the \$2,600 to hit a record high. This surge was fueled by the Federal Reserve's aggressive 50 basis point interest rate cut and geopolitical tensions in the Middle East.

From a technical perspective, gold is experiencing a steady upward movement, with a bullish trend prevailing.

Currently, support around 2,600 is noteworthy; if it holds, we can expect further gains. Resistance is anticipated in the 2,700-2,750 range. However, if prices drop below the support level near 2,530, a downward trend may emerge.

US crude oil is stabilizing at a low level, and a rebound may continue into October

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In early September, concerns over demand in the crude oil market put pressure on US crude oil prices, which fell to a low of \$64.70/barrel, the lowest since April 2023.

However, boosted by escalating tensions in the Middle East and the Federal Reserve's rate cuts, US crude oil prices rebounded, climbing back above \$70.

From a technical perspective, WTI crude oil has stabilized and is rebounding from low levels, with a bullish trend prevailing in the short term. Currently, support is around 67.7; a rebound without breaking this level indicates the potential for further upward movement. Resistance is near 77.2, and a breakthrough there would lead to further resistance around 80.0. If prices fall below the support level of 64.7, a downward trend could emerge.

Bitcoin has stabilized and rebounded, maintaining a bullish outlook for October

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In early September, the cryptocurrency market experienced a sell-off, driving Bitcoin below \$53,000 per coin. However, a significant interest rate cut by the Federal Reserve boosted Bitcoin prices, pushing them back above \$60,000.

From a technical perspective, Bitcoin has stabilized and is bouncing back against the US dollar, with short-term bullish sentiment prevailing. Currently, pay attention to the support around \$52,500; a rebound without breaking this level indicates the potential for further upward movement. The first resistance level to watch is around \$70,000, and if that's broken, the next resistance is near \$73,800. However, if the price falls below the support around \$49,000, a downward trend could begin.

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See you next time and we wish you a satisfying trade at XTrend!



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