

Middle East tensions spark Gold and oil surge, yet rand resilient

 By [Andre Cilliers](#)

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Last night, tensions in the Middle East rose after hundreds of Palestinians were killed in an explosion at a Gaza hospital. Palestinians are blaming it on an Israeli airstrike, while Israel is blaming it on a failed rocket launch by Islamic Jihads.



Source: Reuters.

President Biden's summit with Arab leaders has been called off, and hopes of a peace settlement have faded. Despite the uncertainty, currency markets remain stable despite a jump in Gold and oil prices.

Strong US retail sales data saw US bond yields jump across the curve, with the two-year yield hitting a 17-year high at 5.21% as bets on a Fed rate hike picked up. The dollar initially firmed before closing mixed on the day, with the pound and yen weaker and the euro stronger. The dollar is largely unchanged at 1.0582 against the euro and 1.2185 against the pound this morning ahead of both UK and EU inflation numbers later today.

Chinese economic data was positive this morning, with Q3 GDP printing at 4.9% versus an expected 4.4%, while industrial production and retail sales numbers beat estimates.

Rand robust amid challenges

The rand continues to trade at the bottom end of its recent 18.70/19.00 range, showing surprising resilience. The rand is trading stronger at 18.75 after risk sentiment got a boost from the better-than-expected Chinese data. The 18.70 level remains difficult for the local currency to break below as traders await today's local inflation data.

The effects of the recent higher fuel price are expected to see CPI up by 5.3% YoY versus the previous 4.8%, while the MoM number is estimated to have jumped by 0.6% versus the previous 0.3%.

Spike in Gold and oil prices

Gold is trading up around 0.8% at \$1,938 this morning as peace efforts in the Middle East take a knock and the conflict escalates. Platinum is trading 0.5% stronger, while Palladium is currently flat.

Concerns over oil supply have also jumped, and we have Brent currently up around 1.8% at \$91.40 while WTI is at \$87.60.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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