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HD **Almighty US New Year hangover afflicts Asia**

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Asian markets were a sea of red yesterday as the outgoing tide of foreign investor liquidity flowing back to the US and Europe knocked regional **equity** markets and emerging market currencies.

The Australian sharemarket lost ground as the prospect of less US Federal Reserve stimulus saw US stocks fall on the first trading day of the year for the first time in six years.

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Sentiment was hit by a drop in US weekly jobless claims and **firm** ISM manufacturing data that raised the prospect of the Fed again trimming its bond buying program from the $US75 **billion** it was reduced to this month.

The S&P-ASX 200 index was down 0.8 per cent at its worst but bargain hunters pared the loss, leaving the index 17.8 points, or 0.33 per cent, down at 5350.1 as investors largely shrugged off another weak session for **Chinese** and **Hong Kong** stocks.

The Australian dollar also dodged regional currency weakness, rising US0.7¢ to US89.90¢ despite broad US dollar strength against most major currencies.

National Australia Bank currency strategist Emma Lawson said the overnight session was marked by a "series of relatively random market moves overnight; each not quite gelling with one another".

She said there was potentially "some signal in the general wash", but it might take an increase in market participation, liquidity and news flow to "parse out".

Many of the moves suggested there was major position unwinding in the major currencies, such as short positions in the yen, which led to a strong rebound.

"Countries that require capital may find things a little harder in 2014," she said.

Australian government 10-year yields rose 1.4 points to 4.343 per cent while US 10-years dropped 4 points to 2.99 per cent on the first bout of risk aversion since the Fed's taper announcement.

The Shanghai composite index fell 1.2 per cent to near five-month lows as the initial public offering pipeline was increased to 16, sparking fears of buying power dilution after a 14-month break.

Sentiment was hit by data showing growth was also slowing outside the manufacturing sector, stoking fears that soaring borrowing costs were crimping demand in **China**. The country's non-manufacturing PMI index dropped 1.4 points to 56.

Japanese markets were closed again for a public holiday but **Hong Kong**'s Hang Seng index fell 2.2 per cent.

Gold bucked the US dollar strength, rising $US8 to $US1235 an ounce on physical demand in India and **China** ahead of the Lunar New Year.

“**Chinese** demand for physical **gold** rose sharply in December, particularly through the last five days of 2013,” ANZ commodity strategist Victor Thianpiriya said. “Amid continued ETF outflows, which accelerated in December, the downtrend remains in place but near-term dynamics still support a bounce if prices retest recent lows.”

CO fed : Federal Reserve Board

NS ccat : Corporate/Industrial News

RE china : China | hkong : Hong Kong | austr : Australia | usa : United States | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | namz : North America

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