

Asian stocks cautious as ECB, U.S. job data loom

By Ian ChuaSYDNEY (Reuters) – Asian stocks opened to little fanfare on Thursday with investors cautious as key events including the European Central Bank meeting and the U.S. non-farm payrolls report loomed. But there was more conviction in buying U.S. crude, as the market remained wary of the unrest in Egypt that threatens to further destabilise the Middle East region, which pumps a third of the world's oil. MSCI's broadest index of Asia-Pacific shares outside Japan <miapj0000pus> edged up 0.5 percent, recouping a fraction of Wednesday's a 2.5 percent slide. Tokyo's Nikkei (NIK:^9452) slipped 0.3 percent, extending a 0.3 percent dip in the previous session. "Volume is likely to stay low because of fewer participants as the U.S. markets will be closed later today," said Hiroichi Nishi, an assistant general manager at SMBC Nikko Securities. "Investors are focused on Friday's U.S. jobs data, so they won't take large positions today." U.S. crude edged up 0.1 percent to \$101.33 a barrel, holding not far from a 14-month high of \$102.18. Wednesday's rally was further supported by rapidly tightening supplies in the U.S. domestic market. Unrest in Egypt came to a head on Wednesday, when the country's armed forces removed President Mohamed Mursi to force a resolution to the political crisis, paving the way for an election. Also unsettling investors, the Portuguese government is struggling to survive following the resignations of its foreign minister and finance minister this week, which could deprive it of a majority in parliament. Portugal's stock market <psi20> dropped more than 5 percent, suffering its biggest fall in around three years, while government bond yields briefly jumped above 8 percent for the first time since November. Ructions in financial markets there threatened to spill over to neighbouring countries and raise borrowing costs. That risk saw the euro fall as much as 1.5 percent against the yen at one stage to 128.66 on Wednesday. It has since recovered to around 130.00. Against the dollar, the common currency plumbed a five-week low of \$1.2923 before staging a sharp turnaround to \$1.3000. As a result, the dollar index (.DXY) swiftly retreated from a five-week peak. The erratic moves overnight were due in part to the reluctance of investors to hold large bearish positions going into Thursday's ECB meeting. While the ECB is expected to leave interest rates unchanged, it is likely to try to reassure investors rattled by new political stress in Europe and the U.S. Federal Reserve's plans to begin winding up its stimulus. Renewed geopolitical tensions triggered safe-haven buying that helped underpin bullion. Spot gold was last at \$1,254 an ounce, having gained around 1 percent on Wednesday. This is also helping the precious metal stabilise from last quarter's 23 percent slide, its biggest in 45 years. (Additional reporting by Ayai Tomisawa in Tokyo; Editing by Eric Meijer) Reuters