

Asian shares ease as “fiscal cliff” weighs

By Chikako Mogi

TOKYO (Reuters) – Asian shares snapped a week-long winning streak on Friday, tracking global equities lower, on concerns that U.S. lawmakers are still too far apart to avert a fiscal crisis with an end-of-year deadline looming.

MSCI’s broadest index of Asia-Pacific shares outside Japan <.MIAPJ0000PUS> eased 0.2 percent, having hit successive 16-month highs since December 5 to Thursday. A seven-day rally in world shares came to a halt and commodity prices slipped on Thursday after negotiations over the U.S. “fiscal cliff” hit a wall.

President Barack Obama and House of Representatives Speaker John Boehner met for an hour late on Thursday as frustration mounted over the lack of progress on averting some \$600 billion of tax hikes and spending cuts scheduled to start in January.

Australian shares eked out a 0.2 percent rise, with prices capped by the U.S. budget concerns and a higher local currency, while South Korean shares opened down 0.7 percent, retreating from a two-month high on Thursday.

“The index is likely to waver a little following U.S. markets, and also on profit-taking since it crossed the 2,000-mark yesterday,” Kim Joo-yong, an analyst at Bookook Securities, said of the Korea Composite Stock Price Index (KOSPI).

Failure to avert the fiscal cliff could derail the struggling U.S. economic recovery and also snuff out encouraging signs emerging from China, the world’s second-largest economy after the United States.

Data on Thursday shed some hopeful signs for the U.S. economy, with new claims for jobless benefits falling sharply to a near four-year low last week while retail sales rebounded in November.

Later in the session, investors will receive fresh clues over China’s economic state when HSBC’s early reading of China’s December manufacturing activity is released at 0145 GMT.

In the world’s third-largest economy, big Japanese manufacturers’ sentiment worsened in the three months to December, a Bank of Japan’s quarterly tankan survey showed on Friday, adding to signs that the global slowdown and a territorial row with China were hurting an economy already seen as in a mild recession.

The data will help reinforce market expectations for the Japanese central bank to further ease monetary policy at its meeting next week, keeping the yen under pressure while supporting Japanese equities.

Japan’s Nikkei share average opened down 0.4 percent after climbing above 9,700 for the first time in eight months on Thursday. (.T)

The dollar advanced to its highest in nearly nine months against the yen of 83.68 yen on Friday. The euro stood at 109.40 yen, just a tad below an eight-month high of 109.55, and looked set to end the week more than 2 percent higher on the yen.

“We forecast more yen weakness in 2013 ... eventually, the yen must weaken because the economy needs help so badly, but we have seen many years of policy timidity and frequent policy disappointments,” said Kit Juckes, strategist at Societe Generale.

U.S. crude futures were up 0.6 percent at \$86.36 a barrel, rebounding from Thursday’s fall.

Spot gold steadied near \$1,696 an ounce after tumbling 1 percent the previous session to push prices below \$1,700 for the first time this week.

The Federal Reserve’s announcement earlier this week of fresh liquidity measures underpinned sentiment in shares and commodities initially, but gold investors focused on the Fed’s new approach of linking its policy to a drop in jobless rates, fearing the Fed might withdraw its economic stimulus if the job market improved dramatically.

Liquidation by large institutional investors in gold futures on fears of tax hikes in the new year also pressured prices, traders said.

Sluggish stocks weighed on Asian credit markets, widening the spreads on the iTraxx Asia ex-Japan investment-grade index by two basis points early on Friday.

(Additional reporting by Ian Chua in Sydney and Somang Yang in Seoul; Editing by Eric Meijer)Reuters