Asian shares recover after bruising selloff on Wall Street rebound

TOKYO (Reuters) – Asian shares recovered from multi-month lows on Friday, as a rebound in U.S. equities on the back of upbeat economic data calmed nerves after a bruising selloff in global markets, but investors remained cautious ahead of next week's Federal Reserve policy meeting.Wall Street rallied more than 1 percent on Thursday and the dollar pared losses on better-than-expected U.S. retail sales in May and a drop in the weekly jobless benefits claims, which signalled resilience despite fiscal tightening in America.While the data eased concerns about growth in the world's biggest economy, investors remained jittery over uncertainty on whether the Fed would scale back its massive stimulus. The U.S. central bank's massive bond-buying scheme has been the main source of rallies in broad risk assets. The Fed meets on June 18-19.Stocks, bonds, commodities and currencies have been roiled this week by the persistent concerns that the Fed would reduce its stimulus later this year even as the global economic recovery remained sluggish, with China showing worrying signs of a slowdown.MSCI (NYSE: MSCI - news) 's broadest index of Asia-Pacific shares outside Japan rose 0.4 percent after tumbling more than 2 percent at one point to its lowest since September on Thursday.A 1.3 percent close for the pan-Asian index was its biggest daily drop in three weeks.South Korean shares opened up 0.7 percent after slumping to a seven-month closing low on Thursday on selling by foreign investors, while Australian shares gained 0.5 percent after suffering a 5-1/2-month low the previous day.Investors will "more readily pick up bargain shares today," as sentiment has improved somewhat, said Lee Eun-taek, a market analyst at Dongbu Securities, of Seoul shares. "Foreign investor behaviour will be key to the share market's sustained recovery," Lee added.Japan's Nikkei stock average opened 1.8 percent higher. The index ended the previous session down 6.4 percent to its lowest close since April 3, snapping back into bear territory. The Nikkei scaled a 5-1/2-year high last month, aided by the Japanese government's sweeping policies to revive the economy.The Bank of Japan's decision at its meeting earlier this week to skip fresh steps to calm domestic bond market turbulence and the Fed tapering jitters accelerated a wave unwinding in heavily built short-yen and long-Nikkei positions – highly profitable bets until the latest tumult.These adjustments exacerbated as some hedge funds dumped assets for cash amid the global turmoil ahead of their half-year book closing, traders said.The unusual confluence of factors caused the dollar/yen and the benchmark Nikkei stock average on Thursday to retreat to levels prior to the BOJ's bold reflationary scheme unveiled on April 4.Uncertainty about near-term direction was evident in dollar/yen one-month implied volatility, a measure of expected price swings and a gauge of options pricing, jumping to its highest level since March 2011 on Thursday.The dollar recovered against the yen to trade at 95.47, after sliding to a 10-week low of 93.75 overnight. The dollar is now down nearly 8 percent from last month's 4-1/2-year peak of 103.74 yen. The euro also rebounded against the yen to 127.52 after slumping to a 10-week low of 124.94 on Thursday.The dollar index against a basket of six major currencies steadied just above a four-month low of 80.50 hit on Thursday.U.S. crude futures inched down 0.1 percent to $96.64 a barrel.(Additional reporting by Jungyoun Park in Seoul; Editing by Shri Navaratnam)