Asian shares edge down, yen eases as BoJ meeting eyed

TOKYO (Reuters) – Asian shares edged lower on Monday, taking a breather after hitting multimonth highs, while the yen touched a new low ahead of the outcome of the Bank of Japan policy meeting this week amid expectations for bold monetary easing measures.

The MSCI’s broadest index of Asia-Pacific shares outside Japan <.MIAPJ0000PUS> was down 0.1 percent after closing at a 17-1/2-month high on Friday.

Australian shares <.AXJO> inched up 0.1 percent while South Korean shares <.KS11> slipped 0.6 percent after opening nearly flat.

The focus in Japan was on the BoJ’s policy meeting, with Tokyo’s benchmark Nikkei average <.N225> sliding 1.1 percent after opening up 0.3 percent. The Nikkei surged 2.9 percent for its biggest daily gain in 22 months on Friday after the yen resumed its weakening track, posting a 10th straight week of gains, its longest since 1987. <.T>

Early on Monday, the dollar touched a fresh 2-1/2-year high of 90.25 yen, and the euro rose to a high of 120.27 yen, near its peak since May 2011 of 120.73 hit on Friday.

The Bank of Japan starts its two-day policy meeting on Monday under growing political pressure to pursue bolder measures to beat deflation, with speculation ranging from an open-ended commitment to buy assets until a 2 percent inflation target is achieved to simply boosting its asset buying schemes.

Friday’s data showed while currency speculators slightly cut their bets against the yen in the week to Jan 15, they remained overwhelmingly negative on the currency.

“We expect the door for further easing will likely be left open irrespective of the outcome of BoJ policy meeting, either explicitly by the BoJ or implicitly through government’s plan to nominate doves to replace the governor and deputy governors,” Barclays Capital said in a note to clients.

The steady showing in Asia equities followed a rise in global equities late last week when positive U.S. and Chinese data and signs Washington may avert a fiscal crisis lifted sentiment.

Republicans said the House will consider a bill to raise the U.S. debt ceiling enough to allow the country to pay its bills for another three months. The strategy would buy time for the Democratic-controlled Senate to pass a budget plan that shrinks the federal deficit.

“Another sharp decline in market uncertainty with respect to the US fiscal negotiations provided support to risky assets at the end of last week," said Barclays Capital in a separate research note.

The Dow Jones industrial average <.DJI> and the Standard & Poor's 500 Index <.SPX> ended Friday at five-year highs on a solid start to the quarterly earnings season. U.S. markets are closed on Monday for the Martin Luther King Jr. holiday.

RISK APPETITE RETURNING

EPFR Global said on Friday EPFR Global-tracked Emerging Markets Bond Funds hit a 50-week high in the second week of January as investors saw some value in the riskier fixed income asset classes. Its Emerging Markets Equity Funds outdid Developed Markets Equity Funds for the sixth time in the past seven weeks, with diversified Global Emerging Markets Equity Funds and funds linked to China favored.

Last year, when several Asian stock markets rallied, many bigger hedge funds failed to beat benchmark returns but nimbler, small to medium-sized funds fared better.

Oil prices rose on Friday on supply disruption fears reinforced by the Islamist militant attack and hostage-taking at a gas plant in Algeria, a member of the Organization of Petroleum Exporting Countries.

U.S. crude futures eased 0.2 percent to $95.36 a barrel early on Monday.(Additional reporting by Ian Chua in Sydney; Editing by Shri Navaratnam)Reuters