

Asian shares rebound on PBOC reassurances, U.S. data

By Chikako Mogi TOKYO (Reuters) – Asian shares edged higher to reverse a four-day losing streak on Wednesday as investors took comfort from firm U.S. data underscoring an American recovery, and assurances from China's central bank to provide funds to institutions if needed. Global equity markets and the dollar rose on Tuesday after U.S. economic reports ranging from manufacturing and housing to consumer confidence buoyed optimism – after days of nerve-wracking uncertainty over the intentions of the world's biggest central banks. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3 percent after plumbing an 11-month low on Tuesday. The China-led downward spiral has shed about 2 percent from the pan-Asian index in the two days this week. The People's Bank of China (PBOC) said late on Tuesday it had provided cash to some institutions facing temporary shortages and would continue to do so if needed, seeking to tame investor jitters amid spiking money market rates that raised fears of a banking crisis and sent shares plummeting. China's short-term cash rates soared to record peaks last week after allowed money market funding to tighten to curb credit for China's lightly regulated and speculative "shadow banking" sector, stoking worries of a cash squeeze derailing economic growth. "It is clear that the PBOC has fine-tuned its tone to ease the liquidity tightness," economists at ANZ said in a research note. "We view this as a positive move by the central bank to communicate to the market. As the PBOC clearly states that it has already provided, and will continue to provide liquidity support to some banks, this will greatly improve the market's confidence." Australian shares inched up 0.2 percent while South Korean shares opened 1.1 percent higher after closing at an 11-month low on Tuesday. "The market will start off in positive territory as investors here (in Seoul) will be cheered by a rebound in equities both in Europe and the U.S.," said Lee Jae-mahn, a market analyst at Tong Yang Securities. Chinese shares may recover after reclaiming much of their steep losses by the close on Tuesday, in anticipation of the central bank's media briefing held after the end of trade. The CSI300 index of leading Shanghai and Shenzhen listings ended down 0.3 percent, having fallen nearly 7 percent earlier to its lowest since January 2009. It fell 6.3 percent on Monday. Shanghai Composite Index slipped 0.2 percent, after shedding as much as 5 percent earlier to lowest levels since early 2009. Hong Kong's Hang Seng Index reversed midday losses of 1.4 percent to end up 0.2 percent on Tuesday. The Nikkei stock average opened up 1.4 percent. DOLLAR FIRM Tuesday's data showed strong gains in U.S. business spending plans last month, the largest annual rise in house prices in seven years in April, and consumer confidence at its highest level in more than five years this month. The housing sector was also firming, with new single-family home sales near a five-year high in May. "Overall these data align with the Federal Reserve's assessment that the U.S. economy is improving modestly, and specifically over the past two weeks, U.S. economic data has by and large beaten consensus forecasts," said Christopher Vecchio, analyst at DailyFX. The Fed bank ignited a global market sell-off last week by announcing a plan to end stimulus, starting with a toning down of its monthly bond-buying later this year if the economy continued to improve as forecast. The Fed's

quantitative easing had channelled cheap money to global markets and underpinned the prices of riskier assets such as shares. The dollar rose 0.4 percent against the yen at 98.14, and against a basket of major currencies was up 0.14 percent, crawling back towards a three-week high of 82.841 seen on Monday. U.S. crude futures were down 0.3 percent at \$95.02 a barrel. Spot gold eased 0.2 percent to \$1,274.11 an ounce, hovering near its lowest since September 2010 of \$1,268.89 hit on Friday. (Additional reporting by Ian Chua in Sydney and Jungyoun Park in Seoul)