Asian markets extend losses after Fed announcement

Asian markets slipped Monday, extending last week's sell-off after the US Federal Reserve said it would likely start to reel in its stimulus programme later in the year.Shares in Shanghai and Hong Kong were hit by fears about a credit crunch in China's banking system, which was exacerbated by a media commentary saying the government would not step in to help.Tokyo shares were flat by the break, giving up early gains that were fuelled by a weaker yen and an election victory for the government that was seen as a vote of confidence in its economic policy.Hong Kong lost 1.02 percent and Shanghai was 0.85 percent lower, while Sydney slipped 1.23 percent and Seoul skidded 0.77 percent.Global markets remained turbulent after the Fed announcement last week that the economy looked in good enough shape for it to start rowing back on its $85-billion-a-month bond-buying scheme.While the move shows the US economy is gaining strength, dealers fear it will mean there is less cash in the financial system to invest.Tokyo's Nikkei has been supported however by a strengthening of the dollar against the yen. But the index was negative Monday despite the dollar edging higher and Sunday's poll victory for the government.The ruling Liberal Democratic Party (LDP) and New Komeito secured solid victories in the Tokyo metropolitan assembly election."Voters reaffirmed confidence in 'Abenomics' and the ruling coalition government, which was symbolically important given the recent volatility seen in equities prices," Hirochi Nishi, general manager of equities at SMBC Nikko Securities, told Dow Jones Newswires.Abenomics refers to the big-spending policy put in place by Prime Minister Shinzo Abe that has been credited with a rallying stock market, weaker yen and a pick-up in economic growth."Leading up to the upper house elections in parliament in July, this should reassure investors that the course of present government economic policy will be maintained."In Tokyo trade the dollar bought 98.40 yen, compared with 97.87 yen in New York late Friday. The euro sat at 128.90 yen and $1.3100, against 128.45 yen and $1.3122.In China, investors have been sent running by a liquidity crisis in the banking system, which has caused lenders to put the brakes on loans.The rates banks charge to borrow from each other has surged in the past two weeks as the People's Bank of China has refrained from injecting more cash — owing to fears about a growth of bad debt — which has in turn weighed on the economy.Hopes that Beijing would step in to provide money were dashed at the weekend when a commentary by the official Xinhua news agency said there was no shortage of funds in the financial system.It blamed speculation and non-bank forms of lending, often called "shadow finance", for the problem."It's not that there's no money, it's that the money is not in the right places," the commentary said.The losses in Hong Kong and Shanghai were mirrored in Sydney, where a number of listed firms rely heavily on trade with China.In New York on Friday the Dow rose 0.28 percent, the S&P 500 added 0.27 percent and the Nasdaq fell 0.22 percent.Oil prices slipped in Asia Monday. New York's main contract, West Texas Intermediate light sweet crude for delivery in August, was down nine cents at $93.60 a barrel in morning trade and Brent

North Sea crude for August delivery shed 24 cents to $100.67.Gold fetched $1,291.50 per ounce by 0230 GMT, from $1,293.33 late Friday.Reuters