

Asian shares fall, dollar pressured on Fed uncertainty

By Chikako Mogi TOKYO (Reuters) – Asian shares hovered near 2013 lows and Japanese stocks took another dive as the prospect of less stimulus from central banks depressed sentiment, while the U.S. dollar fell further against the yen amid uncertainty over the Federal Reserve's policy outlook. Global stocks, commodities, bonds and currencies have been roiled in recent weeks on concerns the Fed could scale back its massive stimulus measures in coming months. A lack of additional stimulus from other major central banks has also deepened the sombre mood, as the European Central Bank held off from lowering interest rates despite the euro zone's sluggish economy while the Bank of Japan decided against fresh steps to quell heightened volatility in domestic bonds that has threatened to undercut its ultra-easy monetary policy. "Market volatility is expected to stay elevated until the Fed's policy meeting next week, at which we may see more clarity into the tapering issue," said Yuji Saito, director of foreign exchange at Credit Agricole in Tokyo. "If volatility in stocks subsides, currencies will return to trading on fundamentals." The Fed's next policy meeting will be held next week, on June 18-19. MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.2 percent after falling to a 6-1/2-month low on Wednesday to extend losses into the sixth straight session, the longest losing streak since March last year. Australian shares fell 0.3 percent after touching a five-month low on Wednesday while South Korean shares opened down 0.3 percent. Chinese markets reopen after being shut from Monday to Wednesday while Hong Kong also resumes trading after a holiday on Wednesday. Japan's Nikkei stock average opened down 1.9 percent, extending a selloff that began on May 23 on worries over slowing growth in China and the Fed's policy outlook. The Nikkei scaled a 5-1/2-year high last month. "The market is extremely sensitive with foreign exchange levels. If the dollar nears 95 yen again, there will likely be a sharp sell-off," said Kenichi Hirano, a strategist at Tachibana Securities. The dollar index, measured against a basket of six major currencies, was down 0.11 percent, staying near its lowest since February 20 of 80.748 hit on Wednesday. Against the yen, the dollar traded down 0.5 percent at 95.53 yen after falling to a low of 95.13 on Wednesday, nearing its two-month low of 94.975 seen on Friday. The dollar is now down nearly 8 percent from a 4-1/2-year peak of 103.74 yen scaled last month. Apart from the Fed uncertainty, the BOJ's inaction on Tuesday spurred an unwinding on short yen positions, which drove down the greenback and the euro against the Japanese currency. These position adjustments were exacerbated as some hedge funds sold assets for cash ahead of their half-year book closing, some traders said. The CBOE Volatility Index, a gauge for Wall Street's volatility, shot up 8.9 percent to 18.59 on Wednesday, jumping more than 20 percent so far this week. U.S. crude futures were down 0.3 percent at \$95.56 a barrel. (Additional reporting by Ayai Tomisawa in Tokyo; Editing by Shri Navaratnam) Reuters