Asian shares track Wall St. lower as Fed meeting looms

TOKYO (Reuters) – Asian shares inched lower and the dollar remained defensive on Monday as investors settled in to wait for the U.S. Federal Reserve meeting outcome later in the week – and some long-awaited clarity on its intentions for monetary stimulus. Wall Street fell on Friday for its third negative week in four as investors took profits, and the dollar posted its worst week in almost four years against the yen as data showed the U.S. economic recovery still lacked strength to warrant an imminent change in the Fed's current accommodative policy. Still, investors were likely to remain wary ahead of the Fed policy meeting over Tuesday and Wednesday, where the central bank may conceivably taper its massive bond-buying programme as long as the economy is showing some improvement."We expect the (Fed) chairman to reiterate that conditional on the outlook and sustainability of the recovery, the committee could reduce the pace of purchases in the coming months," Barclays Capital said in a research note."That said, we expect he will balance this by saying monetary policy will remain accommodative and (stimulus) will be withdrawn only at a measured pace, signalling that the Fed is in no hurry to shrink the balance sheet or raise rates," Barclays (LSE: BARC.L - news) added.MSCI (NYSE: MSCI - news) 's broadest index of Asia-Pacific shares outside Japan was down 0.2 percent after advancing 1.6 percent on Friday for its best daily gain since January 2, but ending the week down 1.3 percent after tumbling to its lowest since September on Thursday. South Korean shares opened little changed, hovering near a recent seven-month low. Australian shares opened up 0.9 pct after rebounding 2 percent for their biggest one-day gain in 18 months on Friday." Everyone will be keen on what the Fed says," said Kim Hyoung-ryoul, a market analyst at Kyobo Securities in Seoul. "There is no doubt that the market is cheap at current levels below 1,900 points...but appetite to buy is not very strong for now."Tokyo's benchmark Nikkei stock average opened down 0.8 percent after closing up 1.9 percent on Friday. The latest sell-off in the Nikkei, sparked after the Bank of Japan took no action to quell highly volatile domestic bond market last week, erased the gains made since the central bank's big-bang stimulus unveiled on April 4, which had helped propel the index up to a 5-1/2-year high last month. The dollar was up 0.3 percent at 94.32, sticking near a 10-week low of 93.75 yen hit on Thursday, leaving it down about 9 percent from last month's 4-1/2-year peak of 103.74 yen. The dollar ended last week down 3.4 percent for its biggest weekly loss since July 2009. The dollar index, measured against a basket of six major currencies, was down 0.1 percent, hovering just above a four-month low of 80.50 hit on Thursday. The euro was at 125.96 yen, also near an eight-week low of 125.345 yen touched on Thursday. Against the dollar, it was steady at \$1.3352. Data on Friday showed May industrial output was unchanged, below a 0.2 percent forecast rise, while Thomson Reuters and University of Michigan index of U.S. consumer sentiment unexpectedly fell from a near six-year high in early June. The U.S. economy may not be picking up much steam but it was also not facing deflationary pressure, with the producer price index up 0.5 percent last month, above a 0.1

percent gain forecast.U.S. crude futures were down 0.2 percent at \$97.68 a barrel.(Additional reporting by Jungyoun Park in Seoul; Editing by
Eric Meijer)