

Asian stocks soggy as Fed tapering worries linger, China eyed

By Ian ChuaSYDNEY (Reuters) – Asian stocks got off to an uninspired start on Monday, while the U.S. dollar held firm at one-month highs after an influential Federal Reserve official suggested September could be the beginning of the end of easy money from the central bank. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.3 percent, having last week posted a 2.8 percent rally, its biggest weekly gain since September 2012. The index, though, ended the first half of the year down 7.3 percent. Tokyo's Nikkei also slipped 0.1 percent, having climbed 3.5 percent last week to end the first half up a handsome 31.5 percent. "We had a big rebound in the Nikkei last Friday, so we may see some profit-taking. I think there was some window dressing last Friday as it was month-end and quarter-end," said Takashi Hiroki, chief strategist at Monex Inc. Optimism that Prime Minister Shinzo Abe's aggressive stimulus push will lift the economy has helped light a fire under the Nikkei. Data on Monday suggested Abe's plans are on track with a survey showing the mood of Japanese manufacturers turning positive for the first time in nearly two years. Monday's market moves followed a subdued finish on Wall Street after Fed Governor Jeremy Stein suggested that September could be an opportune time for the central bank to consider scaling back its massive asset-purchase programme. Stein's remarks, echoed by President of the Richmond Fed, Jeffrey Lacker, undid some of the calm that spread through markets last week after several other officials sought to play down market fears of the Fed's plan to taper stimulus. Critical for markets this week is the U.S. jobs data due on Friday, given it is a key measure the Fed will consider before deciding to start withdrawing stimulus. In the meantime, markets will take their cue from a report on China's vast manufacturing sector due around 0100 GMT. Any disappointment will no doubt renew worries about the world's second biggest economy just as markets are getting over the impact of a recent credit crunch. In currency markets, investors reacted to Stein's comments by bidding up the U.S. dollar, which hit a one-month high against a basket of major currencies. It remained near the peak early on Monday. The euro traded at \$1.3016, having slipped 0.2 percent on Friday, while the greenback reached fresh one-month highs of 94.55 yen. Among the biggest losers was the Australian dollar, which hit a fresh 33-month low of \$0.9110, following Friday's 1.5 percent drop. Partly weighing on the Aussie was a recent dramatic selloff in gold, a major export earner for Australia. While bullion jumped more than 2 percent on Friday, it still suffered its biggest quarterly drop in 45 years. Spot gold was up around 0.5 percent at \$1,239 per ounce in early trade, still not far off a near three-year trough of \$1,180.71 plumbed on Friday. Worries about the end of the Fed's stimulus had contributed to the panic selling of the precious metal. Other commodities got off to a sleepy start with U.S. crude down 0.4 percent at \$96.22 a barrel, while copper edged up 0.2 percent to \$6,766 a tonne. (Additional reporting by Dominic Lau in Tokyo; Editing by Eric Meijer) Reuters