

Asian shares edge up; markets cautious ahead of events-packed week

By Wayne ColeSYDNEY (Reuters) – Asian shares crept ahead on Monday, while the dollar lost ground to the yen as markets hunkered down for a busy week for economic data and central bank policy meetings in the euro zone and United States. Activity was sparse with Japanese markets closed for a holiday and China off until Thursday. The MSCI's broadest index of Asia-Pacific shares outside Japan <miapj0000pus> was up 0.2 percent, but off a six-week high touched on Friday. South Korean shares (.KS11) were flat, while Australia's market (.AXJO) added 0.5 percent thanks to ongoing strength in banking stocks. Spot gold was a shade firmer at \$1,464.91 an ounce, consolidating last week's bounce. (GOL/) U.S. crude was off 37 cents at \$92.63 a barrel and Brent down 33 cents at \$102.83. (O/R) While recent disappointing growth data from the U.S., China and the euro zone has undermined commodity markets and pushed down bond yields, it has had limited impact on global equities. "We think this reflects a faith by market participants in the 'monetary policy put', which associates market supportive policy reactions to disappointing economic developments," said analysts from Barclays in a client note. "For now, it seems to us that this is justified, and partly on that basis, we continue to recommend overweight exposure to equities." Indeed, speculation is rife that the European Central Bank (ECB) will have to cut interest rates at its policy meeting on Thursday given the dreary run of economic news from the region. A Reuters poll of 76 economists showed a narrow majority of 43 expected a rate cut of 25 basis points, taking the refi to a record low of 0.50 percent. (ECB/INT) However, market rates, such as that for bank-to-bank lending, are already so low that such an easing might have no more than a symbolic impact. "The ECB will probably cut the refi rate 25 basis points, but since eonia has been trading near zero for most of the past nine months, this move shouldn't weaken the euro unless the bank drops hints that some more dramatic policy — like a negative deposit rate — is back on the agenda," said Anna Hibinio, a global forex analyst at JPMorgan. The single currency was a whisker higher at \$1.3039 on Monday, but corralled by resistance at \$1.3093 and support around \$1.2950. The dollar also lost altitude on the yen to 97.86, having ended on the defensive at 98.26 in New York on Friday after U.S. economic growth came in short of forecasts. The U.S. Federal Reserve also meets this week and is widely expected to keep its current pace of bond buying at \$85 billion a month. The policy-setting Federal Open Market Committee will announce its decision at 1815 GMT on Wednesday. Most analysts assume the recent string of underwhelming data will strengthen the hand of the doves at the Fed and temper any talk of tapering back the bond buying program. Investors will also have plenty of economic news to navigate this week. A splurge of data from the U.S. includes several readings on manufacturing and the always-influential payrolls survey. In Asia, China has surveys on manufacturing and services while Japan releases a batch of reports on retail sales, industrial output and employment on Tuesday. Companies reporting earnings include Pfizer (PFE.N), Facebook (FB.O) and General Motors (GM.N). Of

the 271 companies in the S&P 500 that have reported earnings to date, 69 percent have beaten analyst expectations – above the 63 percent average since 1994 and slightly over the 67 percent beat rate over the past four quarters.(Additional reporting by Thuy Ong in Sydney; Editing by Shri Navaratnam)Reuters