Asian shares win reprieve, euro hobbled ahead of ECB
Malaysian Insider
6 March, 2014

Asian shares could enjoy a reprieve today as diplomatic efforts moderate the crisis over Ukraine, while the euro comes under pressure as investors speculate whether the European Central Bank will ease policy later in the day.

Any steps the ECB takes to support the still-fragile euro zone economy could benefit some assets, though gains could be limited ahead of pivotal US payrolls data tomorrow.

MSCI's broadest index of Asia-Pacific shares outside Japan was little changed. Japan's Nikkei share average gained 0.3% in early trade.

Wall Street shares finished little changed, with the Standard & Poor's 500 index closing just a hair's breadth below its record closing high set on Tuesday.

Although diplomatic efforts between Moscow and Washington over Ukraine have made little obvious headway so far, US Secretary of State John Kerry said discussions would continue in coming days.

That assurance was enough to mollify investors' immediate fears of military confrontation, directing their attention instead to what steps the ECB might take to support the economy and ward off deflation.

"We think Thursday will be a big day for euro bears, with the ECB likely to deliver significant policy easing measures, weakening the currency," analysts at BNP Paribas wrote in a note to clients.

The euro traded at $1.3734 (RM4.49), little-changed in early Asia but off two-month high of $1.38255 hit on Friday.

Yesterday, International Monetary Fund officials called on the ECB to start buying public and private assets or extend more cheap long-term loans to banks, as well as cutting interest rates to a new record low.

Yet the ECB may hesitate to adopt quantitative easing steps taken by other major central banks, such as the US Federal Reserve and the Bank of Japan, because of concerns about the widely differing impact such a step could have on euro zone debt markets.

Investors will be scrutinising the summit of European leaders today, where they will discuss financial support for Ukraine, which is on the verge of bankruptcy after years of financial mismanagement.

The EU offered a larger-than-expected package of aid to Ukraine yesterday, saying it was willing to provide $15 billion in loans and grants over coming years to help the economy back on its feet.

With the euro in retreat, the dollar index kept some distance from a two-month low hit last week, and was last at 80.098, versus Friday's low of 79.688.

US 10-year bond prices fell back and yields lifted to around 2.70%, off a one-month low below 2.60% hit on Monday, reflecting abating concerns over Ukraine.

The yield rose despite soft US data that nicked optimism over Friday's US non-farm payrolls.

A report from payrolls processor ADP showed private employment increased by a tepid 139,000 jobs last month, with jobs growth in January also revised down sharply to 127,000 from 175,000. – Reuters, March 6, 2014.

A separate private-industry gauge of U.S. service sector activity also fell to its weakest level in four years in February.

Still, the data did little to change investor perceptions that recent weakness largely reflected bad weather in the past two months and an improvement was credible.

Reduced fears over Ukraine led U.S. crude futures to $100.99, their lowest level in two weeks.

Source: http://www.themalaysianinsider.com/business/article/asian-shares-win-reprieve-euro-hobbled-ahead-of-ecb