Asia looks to ride Wall Street calm after Fed scare
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Asian markets will be hoping for a bounce today after Wall Street shook off concerns about Federal Reserve policy, while a rise in US yields should keep the dollar underpinned near three-week highs.

After falling sharply yesterday, the early signs were that stocks in the region might at least be able to stabilise.

The Australian market edged up 0.3% while MSCI's broadest index of Asia-Pacific shares outside Japan was dead flat.

Investors should find some comfort in Wall Street's ability to bounce with the S&P 500 closing up 0.6% and the Dow 0.67%.

Unfortunately for Japan's Nikkei it will not be able to share the relief since the country is on holiday today.

The US dollar continued to benefit from Fed Chair Janet Yellen's suggestion that the first increase in interest rates could come in the first half of 2015, which would be earlier than many had expected.

Just the thought of such a prospect was enough to lift two-year Treasury yields to their highest in six months and left them up 8 basis points for the week so far.

Markets will thus be hyper sensitive to comments from a quartet of Fed speakers later today. St Louis Fed President James Bullard, Dallas Fed President Richard Fisher, Minneapolis Fed President Narayana Kocherlakota and Fed Governor Jeremy Stein are all due to talk.

Clarity may not be forthcoming, however, as each has very different outlooks on policy stretching from the hawkish Fisher to the dovish Kocherlakota.

Against a basket of major currencies, the US dollar was trading at 80.186, not far from the high of 80.354, a level not seen since late February.

The euro wallowed at US$1.3777 (RM4.54), having plumbed a two-week low of US$1.3749. It was on track to post a 1.0% drop this week.

Not helping the common currency, European Central Bank Executive Board member Sabine Lautenschlaeger said rates will remain low or go even lower for an extended period.

The US dollar was steady on the yen at 102.39 (RM3.30) having topped out at 102.69.

Attention in Asia will again be on China's yuan which hit a one-year low yesterday with the People's Bank of China (PBoC) seemingly content with the decline. The currency has fallen more than 1.2% this week, which would be the largest weekly loss since 1992.

Government economists and advisers involved in internal policy discussions told Reuters that the central bank chose to widen the yuan's trading band since it was less risky than other reform options while also offering a way to hedge against further economic slowdown.

A weaker yuan would provide some relief to struggling exporters and the PBoC has the means to steer it lower while avoiding sharp swings.

However, a major drop in the yuan could put pressure on other nations in the region to depreciate their currencies and keep their exports competitive.

Several currencies from the Thai baht to Malaysian ringgit did indeed turn lower yesterday and dealers will be watching nervously to see if that could be the start of a trend.

In commodity markets, Gold was pinned at US$1,330.60 an ounce having shed 3.7% for the week so far.

Brent rose 60 cents to settle at US$106.45 a barrel yesterday. US crude for May delivery was 28 cents lower at US$98.62 per barrel. – Reuters, March 21, 2014.

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