

Yen extends slide as equities rally, euro firms before central bank
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The yen found little reprieve today and hit a 10-week low against the dollar, as risk appetite stayed buoyant and investors continued to bet on more stimulus from China.

The dollar bought 103.84 yen, after hitting a peak of 103.935 yen as improving appetite for risk sent US stocks to a record closing high and fuelled a 1.4% surge in Tokyo's Nikkei.

A rise in US Treasury yields prompted by the Wall Street rally also added to the greenback's appeal.

The euro hovered near a three-week high of 143.46 yen .

"The combination of rising global equity markets with rising US Treasury yields is a catalyst for USD/JPY to move higher," said Kit Juckes, a London-based analyst at Societe Generale.

Juckes added that this week's increase in Japan's sales tax to 8% from 5% also poses a big challenge to Prime Minister Shinzo Abe's recipe of hyper-easy monetary policy, fiscal spending and promised reforms.

"As the prospect of further BOJ easing gets closer, now is the time for USD/JPY to head towards and quite probably through 105 in the coming weeks," he said.

Near-term focus is on the US ADP National Employment Report due later in the session, with its impact on equity markets of particular interest to investors.

"About the only factor that could thwart the dollar's advance in the short term is a decline by the equity markets. Weaker-than-expected US economic data would cool the equity rally and give the yen a breather," said Junichi Ishikawa, a market analyst at IG in Tokyo.

"However, the global equity rally has legs thanks to receding concerns over Ukraine and China's economic slowdown. Any dip by the dollar on data disappointment could be short lived," he said.

Meanwhile, the euro drifted up to US\$1.3804 (RM4.51), continuing to recover from a one-month low of US\$1.3704 set on Friday.

Euro bulls are betting the European Central Bank will stand pat on policy at its review on Thursday even as the threat of deflation has mounted.

Data on Tuesday was encouraging with German unemployment falling for a fourth month, while a business survey showed an across-the-board rise in factory output that suggested a more entrenched recovery for the euro zone.

By contrast, a recent string of disappointing Chinese data has investors speculating on more action from Beijing. Just this week, two surveys highlighted persistent weakness in China's manufacturing sector.

Such stimulus hopes have in part helped support demand for commodity currencies. The Australian dollar hit a four-month high of US\$0.9310 on Tuesday and last traded at US\$0.9241.

The Aussie briefly matched a 10-month peak of 95.97 yen set yesterday.

The New Zealand dollar consolidated at \$0.8639 after reaching a 2-1/2-year high of US\$0.8702 yesterday.

The kiwi fetched 89.42 yen, having scaled a 6-1/2-year high of 89.91 yen yesterday. – Reuters, April 2, 2014.

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