Mood tense before US jobs data, euro nurses losses
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Investors took to the sidelines ahead of monthly employment data in the United States today, with whisper numbers pointing to a strong showing, and the euro nursed losses after the European Central Bank opened the door to more aggressive easing, albeit not yet.

The March US payrolls report looms as a major test of the argument that the economic weakness of January and February was due to bad weather and the recovery is still on track.

Median forecasts are for a rise of 200,000 in payrolls, though dealers say the sense in markets is now for something nearer 220,000. A result around there should reassure the optimists and tend to underpin the dollar and stocks.

"We're pretty upbeat about the payrolls," Fahran Ahmad, a trader at Tradenext, said.

Asian markets were extremely quiet and, despite an initial push, European stocks lost their momentum in pre-payrolls jockeying, leaving the pan-regional FTSEurofirst 300 up just 0.15%.

Most attention remained on the euro and southern European bond yields after yesterday's declaration from the ECB that it was now starting to seriously consider the kind of aggressive asset buying long used by the US, Japan and Britain.

The euro was at a five-week low of US$1.3698 and heading for a third week of net losses against the dollar, while the government bonds of Greece, Spain, Italy, Ireland and Portugal all made ground early on.

The wait for the US jobs figures meant moves elsewhere were limited. The dollar index steadied after hitting its highest level since February 27. The greenback also pared gains on the yen to 103.85 having topped 104 for the first time since January.

Payrolls jockeying

In subdued Asian trading, MSCI's broadest index of Asia-Pacific shares outside Japan barely budged, while Japan's Nikkei eased a fraction, with a softer yen providing some support.

Early futures prices also pointed to a cautiously positive start for Wall Street, although pricing was little more than speculation with the jobs data due out at 1230 GMT, an hour before New York trading resumes.

A much stronger read might not be so positive for shares as it could reignite speculation of an earlier rate hike from the Federal Reserve.

Likewise, a weak number was likely to hurt the dollar and boost Treasuries, but the impact on equities might be tempered by expectations monetary policy would stay looser for longer.

US data so far this week has been too mixed to draw any conclusions on the outlook for policy.

While manufacturing and car sales figures have been generally encouraging, yesterday saw an unexpected widening of the US trade deficit which implied net exports were a much bigger drag on the economy last quarter than first thought.

Indeed, RBS halved its forecast for growth to an annualised 0.6%.

Not now, but maybe sometime

In Europe, focus remained on what looks to be the increasing divergence between the ECB's policy outlook and those of the Federal Reserve and Bank of England.

Crucially, Mario Draghi declared yesterday that the ECB was "unanimous" on using unconventional easing if needed. That marked a major change as some countries, notably Germany, have long opposed steps such as quantitative easing.

European bond yields fell as a result and even Greek 30-year bond yields slipped below 6% for the first time since the global financial crisis.

The relentless rally in Greek bonds seen over the past two years could be given a further leg up today, with ratings agency Moody's widely expected to lift at least the rating outlook of the euro zone's weakest member.

"There is talk among investors that the country could return to market as early as next week if Moody's do upgrade it," said a trader at a market maker in Greek government bonds.

In commodities markets, one of the few movers was aluminium which was on track for its biggest weekly gain in more than eight months as a series of capacity cutbacks by top producers underpinned the market.

Spot gold was pinned at US$1,286.89 an ounce, and still uncomfortably close to the two-month trough of US$1,277 touched early this week. It was also facing a third straight week of losses for the first time in more than six months.

Oil was also under pressure as the prospect of Libya's main ports reopening left it facing its biggest weekly fall in three months. Brent steadied at US$106.19 a barrel after a bounce of 1.4% yesterday, while US crude added 15 cents to US$100.44 a barrel. – Reuters, April 4, 2014

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