

Shares supported as Dow hits record, China a worry
Malaysian Insider
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Share markets edged higher today as investors wagered the US economy was on the mend after a shockingly weak start to the year, yet a drop in both the dollar and Treasury yields suggested not everyone was convinced.

Asian markets also have their doubts about the Chinese economy which will be tested when the official measure of manufacturing activity (PMI) is released at 0100 GMT (9am, Malaysia time).

Forecasts are for the PMI to edge up to 50.5 in April, from 50.3 in March, and any miss would only add to concerns the economy was stumbling, absent the sort of significant stimulus that Beijing seems reluctant to undertake.

Caution ahead of the numbers combined with holidays across much of the region made for a slow start. Australian shares were flat, while Japan's Nikkei added 0.5%.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.1%, but almost all the markets in that index are shut today.

Sentiment was supported somewhat by Wall Street where the Dow notched up its first record high of the year. The Dow ended up 0.27%, while the S&P 500 gained 0.3% and the Nasdaq 0.27%.

That was a resilient performance given government data had shown the US economy grew just 0.1% annualised in the first quarter, far below already gloomy forecasts of 1.2%.

Net exports, inventories and investment all dragged on growth, with household spending the only bright spot.

Still, investors have been willing to give the economy the benefit of the doubt in expectations of a rebound this quarter, and other data did offer some supporting evidence.

A closely-watched indicator of manufacturing activity in the Chicago area jumped to 63.0 in April, to be well above forecasts, while the ADP report on private sector employment showed a rise of 220,000.

That fuelled hopes the April payrolls report on Friday would at least meet forecasts of a 210,000 increase in jobs.

The Federal Reserve was prepared to look on the bright side, ending its policy meeting with a relatively upbeat statement as it pared back its bond buying by another US\$10 billion.

Recent information "indicates that growth in economic activity has picked up... after having slowed sharply during the winter in part because of adverse weather conditions," the central bank said after a two-day meeting.

Yet investors in bonds and currencies were less impressed, taking yields and the dollar lower. Yields on 10-year Treasuries fell 4 basis points to 2.65%, while those on two-year notes dropped 3 basis points to 0.41% in a sharp move for that tenor.

Interest rate futures also rallied as the market pushed back the likely timing of a first hike by the Fed.

That in turn weighed on the US dollar which dropped to three-week lows against a basket of major currencies.

Pressure on the greenback helped the euro bounce to US\$1.3870 from a three-week trough of US\$1.3770. Against the yen, the dollar was at 102.25, having lost 0.4% overnight.

In commodity markets, oil fell as stocks of the fuel in the United States hit a record high at just under 400 million barrels.

Brent crude for June delivery was stuck at US\$108.07 today having shed over a dollar overnight, while June US crude eased a further 6 cents to US\$99.68 a barrel. Spot gold also fared poorly to stand at US\$1,290.66 an ounce, after easing 0.4% yesterday. – Reuters, May 1, 2014.

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