

Asian shares stage modest rebound

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Asian shares rebounded modestly on Friday and the euro clung to tentative gains, after brighter corporate news lifted US stocks and debt-laden Italy was able to fund itself at a bond auction.

But investors remained cautious amid a European debt crisis that appeared no closer to resolution, keeping a lid on equity gains and pushing other riskier assets such as commodities lower.

Tokyo's Nikkei share average and MSCI's broadest index of Asia Pacific shares outside Japan both rose around 0.5 percent, clawing back some of the losses from a sharp sell-off in the previous session.

US stocks had risen nearly 1 per cent on Thursday, after drugmaker Merck cheered investors by raising its dividend and network equipment maker Cisco Systems reported earnings that beat analysts' expectations.

Italy, the latest euro zone nation to find itself in the bond market's crosshairs, moved closer to a national unity government on Thursday, while its treasury managed to sell 1-year bills at yields of less than 7 percent — the threshold that investors believe renders its debt burden unsustainable.

The prospect of Italy buckling under its 2 trillion euro debt load has raised fears over Europe's 2-year-old crisis to a new level, because the euro zone's bailout fund (EFSF) is not big enough to rescue the bloc's third largest economy.

"Italy's funding vulnerability presents a serious risk to the global financial system and forces euro zone leaders to grapple with a lose/lose dilemma," wrote RBS macro credit analysts Edward Marrinan and Edward Young in a note.

"Leave one of the euro area's largest economies at the mercy of the funding markets or deploy the under-resourced EFSF in an effort to stabilize the country's borrowing costs."

The euro traded around \$1.3610, steady on the day and up from Thursday's trough at \$1.3481. The dollar eased 0.2 percent against a basket of currencies.

Commodities markets were subdued, with US crude oil easing 0.3 per cent to around US\$97.53 a barrel and gold dipping a similar percentage to about \$1,754 an ounce.-
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