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SINGAPORE: Asian stocks drifted on Monday as investors booked profits from a New Year rally that had pushed markets to multi-month highs, but financial stocks gained after global regulators decided to relax draft plans for tough new bank liquidity rules.

Commodity prices mostly held firm, supported by data showing the U.S. economy continuing on a path of slow but steady recovery that propelled Wall Street stocks to a five-year high. The dollar sat close to a two-and-a-half-year high against the yen as investors adjusted to the possibility of more monetary stimulus in 2013 from the Bank of Japan and less from the U.S. Federal Reserve.

MSCI's broadest index of Asia Pacific shares outside Japan, which had reached its highest level since August 2011 on Thursday, was flat, while Tokyo's Nikkei share average retreated after touching a 23-month high in early trade to stand down 0.2 percent. "Investors have been carefully waiting for the timing to take profits as they believed the market can't keep rising," said Yutaka Miura, a senior technical analyst at Mizuho Securities.

CASH BUFFERS The MSCI benchmark's financial sector sub-index gained 0.5 percent after the Basel Committee of banking supervisors agreed on Sunday to give banks four more years and greater flexibility to build up cash buffers so they can use some of their reserves to help struggling economies. HSBC Holdings Hong Kong shares rose 1.3 percent, while Australia and New Zealand Banking Corp gained 0.6

percent. Shares in Japanese exporters were supported by a weaker yen, which traded around 88.05 to the dollar, a little firmer on the day, after the U.S. currency rose as far as 88.40 yen, its highest in nearly two-and-a-half years, on Friday. The dollar posted a gain of around 2.7 percent against the yen last week, its biggest weekly rise in more than a year. Its gains had accelerated after minutes from the Federal Reserve's December meeting showed some policymakers had mulled ending the Fed's bond-buying program as early as this year.

By contrast, many investors are now betting that Japan's new government, led by Prime Minister Shinzo Abe, will push to weaken the yen and drive through aggressive fiscal stimulus, and pressure the Bank of Japan to do the same on the monetary side. The dollar ticked up slightly against the euro, which traded around \$1.3060. The U.S.

benchmark S&P 500 index closed at its highest level since December 2007 on Friday after data showed a steady pace of jobs growth and brisk expansion of the services sector in the world's biggest economy. That offered support to growth-sensitive commodities, with copper edging up 0.2 percent to around \$8,100 a tonne, while Brent crude oil gained 0.2 percent to around \$111.50 a barrel and U.S. crude stood flat just above \$93.

Courtesy: The Star