

Beat: News

Dazed dollar steadies, shares on best run in two years.

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USPA NEWS - World shares headed for a fifth straight week of gains, their best run in over two years, on Friday, as this week's thumping for the dollar, soothing central bank noises and a 2016 high for oil, boosted confidence.

Europe opened with the euro under pressure as the dollar got back to its feet after a third week of falls that has seen it slide 4 percent against its main counterparts to its lowest since October.

It has come as the Federal Reserve has scaled down its rate hike expectations and European Central Bank chief economist Peter Praet showed his unease about the resulting euro jump with a bit of verbal intervention.

"As other central banks have demonstrated, we have not reached the physical lower boundary (for interest rates)," he told the Italian newspaper La Repubblica.

The bank's head Mario Draghi suggested otherwise last week.

The euro dropped 0.4 percent to \$1.1275 and helped European shares overcome an uncertain start as London, Frankfurt Paris rose 0.2 - 0.4 percent and attempted to dodge a first weekly loss in five.

While they have been hit by the sharp euro rise, many other parts of the world have cheered the dollar's drop. MSCI's 46-country 'All World' index is set for its fifth week of gains, its best spell since January-February 2014.

"Post the FOMC (Fed) meeting we have seen mostly dollar sellers, people are squaring euro/dollar shorts and moving into longs," SEB's head of FX spot and NDF markets, Markus Dahlström, said.

"What we are wary about now is central bank comments as the ECB is not going to want to see the euro appreciate too much, and we have seen that this morning (from Peter Praet's comments).

There was more encouragement for investors after oil prices had hit their highest levels of the year. Hopes are that low global interest rates will feed demand and that major producers could strike a deal to freeze output next month.

Mild profit taking saw U.S. crude dip back to \$40.23 barrel after rising to as much as \$40.55 overnight. It was well up on the week though and has surged 50 percent since tanking in January. Brent crude was at \$41.23 per barrel, up over 2 percent on the week. [O/R]

CENTRAL (BANK) HEATING

The combination of subdued global interest rates and higher oil and commodity prices is an ideal recipe for emerging markets which are still trying to recover from a brutal 2015.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.8 percent on Friday, entering positive territory for the year for the first time after Wall Street had done the same overnight.

Asia ex-Japan ended up 2.3 percent for the week, and has surged 10.4 percent so far this month. Emerging market stocks globally are up 20 percent since mid-January.

The Hang Seng index was up 0.8 percent, for a weekly rise of 3.6 percent. China's Shanghai Composite index and CSI 300 climbed roughly 1.6 percent each, with gains of about 6.4 percent for the week.

They were helped by data showing Chinese home prices rose at their fastest clip in almost two years in February thanks to red-hot demand in big cities.

The Chinese yuan also firmed sharply against the dollar to reach a 2016 high, after the People's Bank of China set the midpoint rate at 6.4628 per dollar prior to market open, compared with the previous fix of 6.4961, the biggest daily rise since November.

Bond markets continued to be soothed by the prospect of low interest rates. Portugal's 10-year bond yield hit a seven-week low as it led a fall in euro zone bond yields after the ECB's Praet's comments appeared to put further interest rate cuts back on the table.

Markets also awaited a host of ratings decisions later in the day.

Standard and Poor's is expected to report on Finland, Austria and Portugal. Both Moody's and S&P report on Cyprus, and S&P may also update its view on the wealthy Spanish region of Catalonia, which it downgraded in October and put on a negative outlook.

Earlier on Friday, Moody's said eurozone sovereigns' ratings will likely remain stable in 2016-2017, but that a decline on fiscal consolidation, a lack of progress on structural reforms and a rise in political risks all lingered.

"We have got an important week out of the way from a macro data perspective, and not only have we come out of it unscathed, we are seemingly in a stronger place than where we started the week," said Ben Le Brun, market analyst at online brokerage OptionsXpress in Sydney.

"We have heard from central banks in all corners of the globe now and the liquidity party rolls on with the potential for more to come."
(Reporting by Marc Jones; Editing by Angus MacSwan)

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