Japan, China stocks fall, Ukraine tension bolsters yen

2:26am EDT

By Lisa Twaronite

TOKYO (Reuters) - Japanese and Chinese stocks tumbled on Monday in a cautious session for Asian equities amid increasing tension in Ukraine, which kept risk appetite in check and helped bolster the safe-haven yen.

Pro-Russian rebels paraded European monitors they are holding in eastern Ukraine on Sunday, freeing one but saying they had no plans to release another seven as the United States and Europe prepared new sanctions against Moscow.

European shares were expected to open slightly higher even in the face of the rising tensions, with spreadbetters predicting Britain's FTSE 100 .FTSE to open as much as 0.15 percent higher, Germany's DAX .GDAXI to gain 0.12 percent and France's CAC 40 .FCHI to rise 0.14 percent.

"The bulls may look to retrieve some of the losses from Friday, but with tension increasing in the Ukraine, you could understand a cautious approach," Lewis Sturdy, a dealer at London Capital Group, said in a note to clients.

MSCI's broadest index of Asia-Pacific shares outside Japan .MIAPJ0000PUS oscillated between positive and negative territory, and was last trading flat.

The Shanghai Composite Index .SSEC began the week with a fourth straight day of losses, down 1.5 percent, after state media reported President Xi Jinping saying at a politbuuro meeting on Friday that current fiscal and monetary policies would basically remain unchanged.

"If there's no change in basic economic policy then it's likely there won't be any strong measures, and overall this is dragging on expectations," said Du Changchun, an analyst at Northeast Securities in Shanghai.

A stronger yen drove Japan's Nikkei stock average .N225 down 1 percent, despite data released before the market opened showing retail sales rose in March at their fastest pace in 17 years ahead of a sales tax hike.

"Weaker U.S. equities and the stronger yen is being received negatively by the domestic stock market. Potential buyers are also sidelined ahead of tomorrow's public holiday," said Yutaka Miura, senior technical analyst at Mizuho Securities in Tokyo.

Tokyo markets will be closed for Showa Day on Tuesday, the birthday of the previous emperor.

Caution ahead of central bank meetings this week, as well as key U.S. jobs data on Friday, also kept investors wary.

Non-farm payrolls are expected to show an April rise of more than 200,000, as harsh winter weather finally dissipated and a later Easter holiday led to extra hiring.

Federal Reserve policymakers will meet on Tuesday and Wednesday and are expected to unanimously decide to continue tapering the central bank's massive bond-buying stimulus for now. Policymakers were expected to hotly debate future actions, such as what economic conditions would set the stage for a rate hike.

The Bank of Japan will release new economic projections following its meeting on Wednesday, at which it is expected to stand pat on policy.

The BOJ will likely keep its inflation forecast for fiscal 2015 roughly unchanged from the current 1.9 percent, and is also set to estimate fiscal 2016 inflation close to 2 percent, signaling that it is optimistic of achieving sustained price rises over a longer time frame, sources have told Reuters.

On Wall Street on Friday, the three main U.S. stock indexes all fell for both the session and the week, as disappointing earnings from Amazon and Ford on Thursday and the rising Ukraine tensions sapped sentiment.

Major currency pairs stuck to recent ranges on Monday, with the heightened Ukraine crisis bolstering the safe-haven yen.

The dollar was steady on the day at 102.22 yen, pulling away from a session low of 102.04 yen hit on Friday. The euro dipped about 0.1 percent to 141.29 yen.

Against the greenback, the euro edged down about 0.1 percent to $1.3823 after it added 0.2 percent last week. That helped the dollar index .DXY gain nearly 0.1 percent to 79.812, after it lost 0.1 percent last week.

In commodities trading, the Ukraine unrest helped push gold to $1,306.11 an ounce, its highest since April 16, though it was last down slightly at $1,301.30.

Brent crude gained 0.2 percent to $109.77 a barrel, buoyed by the rising Ukraine tensions and Libya's delay in re-opening a
damaged eastern port.

Copper climbed 0.1 percent to $6,769.50 a metric ton (1.1023 tons) after touching its highest in seven weeks on Monday on tight Chinese copper supply, while nickel pushed to its strongest in almost 15 months in the wake of Indonesia's ban on ore shipments.

(Additional reporting by Shinishi Saoshiro in Tokyo and Natalie Thomas in Hong Kong; Editing by Shri Navaratanam)