Emerging Stocks Extend Quarterly Gain With Won; Oil Falls

By Nick Gentle - Jun 30, 2014

Emerging-market stocks rose, with a benchmark gauge heading for its biggest quarterly advance since September 2012, while the yen gained and South Korea’s won hit an almost six-year high. Oil fell on speculation violence in Iraq won’t curb output from OPEC’s second-biggest producer.

The MSCI Emerging Markets Index added 0.4 percent by 7:10 a.m. in London, heading for a 5.6 percent gain since the end of March. Futures on the Euro Stoxx 50 Index added 0.3 percent and Standard & Poor’s 500 Index contracts were little changed, with the U.S. benchmark one trading day away from completing the longest stretch of quarterly gains in 16 years. The yen was at a five-week high versus the dollar while the won rose to 1,011.96 per greenback. Brent crude oil lost 0.3 percent.

A gauge of world equities is heading for a fifth straight monthly advance, the longest streak since 2007, after closing at a record on June 19. Sectarian fighting in Iraq hasn’t spread to the south, home to more than three-quarters of the nation’s oil production. Argentina is poised to miss a bond payment today, putting the country on the brink of its second default in 13 years, while euro area inflation is due before U.S. manufacturing and house sales figures.

“The global outlook is improving,” Ang Kok Heng, chief investment officer of Phillip Capital Management Sdn., which manages $428 million, said by phone from Kuala Lumpur. “Low interest rates will still be the catalyst.”

The MSCI All Country World Index was little changed at 428.34 today, heading for a 1.6 percent increase this month and near its June 19 record close of 429.8. The emerging-markets gauge rose to 1,050.40, the highest since June 19, while a measure of Asia-Pacific (MXAP) equities climbed 0.4 percent after rising the last seven weeks.

**Hang Seng**

Hong Kong’s Hang Seng China Enterprises Index, which tracks shares of Chinese companies in the city added 0.4 percent, while the Hang Seng Index slipped 0.3 percent. The Shanghai Composite Index climbed 0.5 percent while South Korea’s Kospi index was 0.7 percent higher.

The Topix index increased 0.8 percent in Tokyo. The yen rose a fourth day, adding 0.1 percent to 101.30 per dollar. The currency last week strengthened through the 200-day moving average versus the greenback, seen as a key technical barrier to further gains.
Brent slipped to $112.93 a barrel today, after losing 1.3 percent last week. The European benchmark is up 3.3 percent in June, its third straight monthly advance. West Texas Intermediate crude fell 0.4 percent to $105.36.

Russian military advisers have helped prepare Iraq’s air force to use five newly delivered combat planes. Government ground forces pressed on with an offensive to drive Sunni Muslim fighters of the Islamic State of Iraq and the Levant from the northern Iraqi city of Tikrit.

‘No Blockage’

As regards oil prices, “we’ve already started to see the risk premium easing off,” Tom James, the Dubai-based managing director of Navitas Resources, said by phone yesterday, referring to oil. “Markets are seeing there’s been no blockage to exports, and that Saudi Arabia would likely supply any shortfall if they need to.”

South Korea’s won rose as much as 0.3 percent to a six-year high of 1,010.80 per dollar. The Taiwan dollar climbed to its strongest level in six months, the Philippine peso rose to a three-week high and Indonesia’s rupiah jumped 1.1 percent and was poised for the biggest two-day gain since February.

China’s yuan gained as much as 0.19 percent to the strongest level since April 9.

Grains Slump

Wheat for September delivery slipped 0.7 percent to $5.8975 a bushel, extending its quarterly retreat, amid U.S. government forecasts predicting global stockpiles of the grain will reach a three-year high before the 2015 harvest. Corn fell 0.8 percent to $4.4375 a bushel, bringing its quarterly slump to 12 percent, while soybeans also fell 0.6 percent today.

Argentina has a 30-day grace period after missing the $539 million debt payment to seek an accord with a group of defaulted bondholders led by billionaire Paul Singer’s NML Capital Ltd. and prevent a default on its $28.7 billion of performing global dollar bonds. Both Argentina and NML have said that they’re open to talks.

The cost of insuring the South American country’s debt against default has surged in recent days. Five-year credit-default swaps jumped 76 basis points today after leaping 107 basis points on June 27, according to CMA data compiled by Bloomberg.

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