Asia Stocks, Euro Advance on EU Outlook

By Shiyin Chen - Nov 28, 2011

Asian shares (MXAP) advanced for the first time in four days, U.S. stock futures and commodities climbed, and the euro gained against the dollar and yen amid speculation European policy makers are taking steps to stem the debt crisis and as America’s Thanksgiving retail sales jumped to a record.

The MSCI Asia Pacific Index added 2 percent at 4:02 p.m. in Tokyo. Euro Stoxx 50 futures were up 1.5 percent and Standard & Poor's 500 Index contracts rallied 2 percent, signaling the U.S. gauge may end a seven-day drop. Treasuries slid and the Dollar Index headed for the biggest decline in more than two weeks. The euro strengthened 0.5 percent to $1.3387. New Zealand's dollar rose 1.7 percent after Prime Minister John Key was re-elected. S&P's GSCI Index of raw materials rebounded from a five-week low.

About $4.6 trillion has been wiped out from global equity values this month as concern Europe’s crisis will spread spurred a surge in Italian borrowing costs. German Finance Minister Wolfgang Schaeuble urged fast-track treaty changes to tighten budget discipline to calm markets. U.S. retail sales during Thanksgiving climbed 16 percent to a record.

There are “a lot of good things going on that’s not recognized by the market right now,” John Vail, chief global strategist and head of asset allocation at Nikko Asset Management, said in a Bloomberg Television interview from Tokyo. “It’s not all bad news. We’re still overweight equities.”

Stocks Rebound

More than three shares rose for every one that declined on MSCI's Asia Pacific Index, set for the largest jump since Nov. 4. The gauge sank 4.6 percent last week, the most since the five days ended Sept. 23, and trades at 12.3 times estimated profits, lower than the five-year average multiple of 16.4 times, data compiled by Bloomberg shows. Japan's Nikkei 225 Stock Average climbed 1.6 percent, Australia's S&P/ASX 200 Index gained 1.9 percent, and South Korea's Kospi Index added 2.2 percent.

LG Electronics Inc. (066570) surged 8.6 percent and Li & Fung Ltd. (494) rallied 8.8 percent, pacing gains among companies that export to the U.S. Qantas Airways Ltd. (QAN) advanced 3.4 percent, the first gain in eight days, after Australia's biggest carrier predicted profit that beat analysts’ expectations.

S&P 500 futures expiring in December signal the equity index may rebound from a seven-day, 7.9 percent slump that was its longest losing streak since August. Retail sales totaled $52.4 billion during the holiday weekend and the average shopper spent $398.62, up from $365.34 a year earlier, the Washington-based National Retail Federation said yesterday, citing a survey conducted by BIGresearch. Treasury 10-year yields increased four basis points to 2 percent.

‘Mild Recovery’

The retail sales data proved the U.S. is “in a mild recovery, and consumer's purchasing power isn’t something to be pessimistic about,” helping exporters in Asia, said Naoki Fujiwara, who helps oversee $6 billion at Shinkin Asset Management Co. in Tokyo.
The Dollar Index (DXY), which tracks the U.S. currency against those of six trading partners, dropped 0.4 percent, set for the largest slump since Nov. 11. The greenback slipped 0.1 percent to 77.68 yen and weakened 1.4 percent to 98.51 cents against its Australian counterpart.

The euro rebounded from a four-week slump against the dollar and strengthened 0.3 percent to 103.20 yen. The 17-nation currency earlier rallied as much as 0.7 percent versus the dollar after La Stampa reported without saying where it got the information the International Monetary Fund is preparing a 600 billion euro ($799 billion) loan for Italy in case the debt crisis worsens.

The IMF is not in talks with Italy about a loan program, a spokesman said today in an e-mailed statement. The Washington-based lender had about $390 billion available for lending as of Nov. 17, which Managing Director Christine Lagarde has said may not suffice to meet loan demand if the global outlook worsens.

The reported IMF funding level appeared “wide of the mark,” Marc Chandler, chief currency strategist at Brown Brothers Harriman & Co., wrote in a note to clients. “The IMF simply does not have the resources.”

Treaty change is necessary to give veto power over member-state budgets to the European Union Commission, Germany’s Schauble said on ARD television in Berlin yesterday. The European Financial Stability Facility may insure bonds of troubled countries with guarantees of between 20 percent and 30 percent of each issue to be determined in light of market circumstances, according to EFSF guidelines to be considered by finance ministers this week.

The kiwi rallied 1.7 percent to 75.29 U.S. cents. Key’s National Party won 48 percent of the vote on Nov. 26, up from 45 percent three years ago, allowing him to form the next government with support from political allies in parliament. His administration will focus on advancing the sale of state assets and returning the budget to surplus by 2014 to 2015 or earlier, the 50-year-old leader said in Auckland after the election.

The cost of insuring Asia-Pacific corporate and sovereign bonds from non-payment declined, with the Markit iTraxx Asia index of 40 investment-grade borrowers outside Japan decreasing seven basis points to 231, Royal Bank of Scotland prices show. That will be its first decline since Nov. 18, and the biggest daily drop since Nov. 10, according to data provider CMA, which is owned by CME Group Inc.

S&P’s GSCI Index rose 1.4 percent, after falling on Nov. 25 to the lowest close since Oct. 21. Crude for January delivery rose as much as 2.2 percent to $98.88 a barrel on the New York Mercantile Exchange. Three-month copper rallied as much as 3.5 percent to $7,480 a metric ton on the London Metal Exchange. Spot gold gained 1.3 percent to $1,704.58 an ounce, while wheat, corn and soybean futures gained at least 0.8 percent each.

To contact the reporter on this story: Shiyin Chen in Singapore at schen37@bloomberg.net

To contact the editor responsible for this story: Alexander Kwiatkowski at akwiatkowski2@bloomberg.net

©2011 BLOOMBERG L.P. ALL RIGHTS RESERVED.