Asian stocks jumped the most in almost three weeks, the euro and won strengthened and bond risk dropped after Chinese Premier Wen Jiabao pledged support for exports, better-than-forecast U.S. housing starts and a decline in Spanish borrowing costs.

The MSCI Asia Pacific Index added 2 percent at 4:02 p.m. in Tokyo, set for the largest gain since Dec. 1. Standard & Poor's 500 Index futures increased 0.2 percent, after the stock gauge rallied 3 percent yesterday. Euro Stoxx 50 contracts rose 0.7 percent. The euro climbed 0.2 percent and the won advanced 1.3 percent. The Markit iTraxx Asia index of credit-default swaps sank the most since Dec. 7. Oil rose a third day.

Wen said yesterday China will maintain export tax rebates and provide capital support to small companies. U.S. builders broke ground in November on the most houses in over a year, while German business confidence unexpectedly improved. The European Central Bank will announce results of its first tranche of unlimited three-year loans today, a day after Spain sold more than its maximum target of bills, driving borrowing costs lower.

"The U.S. is showing it's fairly robust in terms of not being dragged down to the extent of European economies, but there remain significant structural impediments," said Tim Schroeders, who helps manage $1 billion in equities at Pengana Capital Ltd. in Melbourne. "There will be significant gains today. The question is, given we are coming into a holiday period, how sustainable those gains are going to be over the next week or so."

Stocks Gain

About seven shares rose for every one that fell on MSCI's Asia Pacific Index. Japan's Nikkei 225 Stock Average gained 1.5 percent, South Korea's Kospi Index increased 3.1 percent and Australia's S&P/ASX 200 Index gained 2.2 percent. Onesteel Ltd. (OST) rallied 7.1 percent after Goldman Sachs Group Inc. named it among top Australian stock picks for next year.

Taiwan's Taiex index (TWSE) jumped 4.6 percent, the region's biggest advance. Vice Premier Sean Chen said yesterday the island will let the National Stabilization Fund buy stocks to support local markets when necessary.

The S&P 500 jumped yesterday by the most this month after Commerce Department figures showed housing starts increased 9.3 percent to a 685,000 annual rate, exceeding the highest estimate of economists surveyed by Bloomberg News and the most since April 2010. Building permits, a proxy for future construction, also climbed to a more than one-year high.

Sales of previously owned homes in the U.S. probably rose to 5.05 million in November from 4.97 million the previous month, economists surveyed by Bloomberg predicted before today's report.

Bond Yields Fall

The Dollar Index, which tracks the U.S. currency against those of six trading partners, slipped 0.3 percent. The...
euro traded at $1.3112 and bought 102.01 yen from 101.89 yesterday. Italian and Spanish two-year rates have slipped more than one percentage point since ECB President Mario Draghi announced unprecedented loans on Dec. 8 as investors bet that banks will use the cash to buy government debt.

Economists forecast banks would seek 293 billion euros ($383 billion), according to the median of 14 estimates in a Bloomberg News survey. Results will be announced today and the loans will start tomorrow.

“There has to be some link between the fact that the sovereign supply that’s come onto the market recently has been so well received and what the ECB is doing here,” said Chris Weston, an institutional dealer at IG Markets in Melbourne. “We’ve got a little bit left in this euro rally. We’ll probably see more positive flows,” coming from the long-term refinancing operation, he said.

Won, Aussie

The won climbed to 1,147.60 per dollar, extending yesterday’s 1.1 percent increase. Finance Minister Bahk Jae Wan said today that South Korean markets have been stabilizing quickly after the death of North Korean leader Kim Jong Il. The Malaysian ringgit strengthened 0.3 percent to 3.17 versus the dollar before the release of data on consumer prices, while Australia’s currency rose 0.6 percent to $1.0144.

The yen was little changed at 77.80 against the dollar after the Bank of Japan left its asset-purchase program unchanged while lowering its assessment of the economy. The benchmark interest rate was held at a range of zero to 0.1 percent at the conclusion of a policy meeting today.

The Markit iTraxx Asia index of 40 investment-grade borrowers outside Japan dropped four basis points to 210 basis points, Credit Agricole SA prices show. The index is on course for its biggest daily fall since Dec. 7 and is set for the lowest level since Dec. 13, according to CMA, which is owned by CME Group Inc. and compiles prices quoted by dealers in the privately negotiated market.

Oil, Rubber

Crude for February delivery rose as much as 1.2 percent to $98.44 a barrel in New York, following a 3.4 percent gain yesterday. The industry-funded American Petroleum Institute said crude inventories declined 4.57 million barrels last week. An Energy Department report today may show supplies fell 2.13 million barrels, according to a Bloomberg News survey.

Rubber futures in Tokyo jumped as much as 3.1 percent, the most since Dec. 1, to 279.7 yen a kilogram ($3,592 a metric ton). Palladium, used to make pollution-control devices in autos, gained for a second day, rising as much as 0.9 percent to $633.50 an ounce, the highest level in a week.

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