The yen slid to its lowest level in eight weeks versus the dollar as the gap between yields on Japanese and U.S. 30-year bonds widened to the most since 2011 amid signs of stabilization in the world’s largest economy.

The yen weakened against major peers as Asian equities advanced for a second day, damping demand for haven assets. The pound held five days of gains versus Australia’s dollar before the Bank of England publishes economic and inflation forecasts tomorrow. Demand for the Aussie weakened after a private survey showed business sentiment deteriorated last month.

“Investor confidence has been bolstered by improved U.S. economic data,” said Tsutomu Soma, the manager of the fixed-income business unit at Rakuten Securities Inc. in Tokyo. “Despite expectations of a reduction in U.S. monetary stimulus, stocks are holding up well,” spurring yen selling.

The yen dropped 0.5 percent to 99.69 per dollar at 7:15 a.m. in London, the weakest since Sept. 13. It fell 0.4 percent to 133.42 per euro. The dollar rose 0.2 percent to $1.3386 per euro. The pound gained 0.2 percent to A$1.7109 after climbing 1.7 percent in the past five sessions.

The difference for 30-year securities in the U.S. and Japan increased to 2.26 percentage points, the most since July 2011. The MSCI Asia Pacific Index of regional equities rose 0.5 percent.

The Bloomberg U.S. Financial Conditions Index, which combines everything from money-market rates to yields on government and corporate bonds to equity volatility, advanced to 1.825, set for the highest closing level in data going back to January 1994.

**Yellen Confirmation**

Gains in the dollar may be capped before Janet Yellen faces a confirmation hearing on Nov. 14 for the top job at the Federal Reserve as traders assess whether the economy is strong enough for the central bank to reduce stimulus.

“Yellen is seen as very dovish and cautious about reducing monetary stimulus,” said Kengo Suzuki, the chief currency strategist in Tokyo at Mizuho Securities Co., a unit of Japan’s third-biggest financial group by market value. “Dovish comments from Yellen would have some dollar-selling effects.”
Bank of New York Mellon Corp. said the Fed may surprise the market with its dovishness, with strategist Simon Derrick saying in Tokyo the greenback may fall to as low as 93 yen in three to five months and test $1.38 per euro in three months.

The pound may be supported before BOE Governor Mark Carney presents his second quarterly inflation report tomorrow, with Goldman Sachs Group Inc. among those forecasting the central bank will improve its outlook on the U.K. economy.

**BOE Outlook**

The BOE’s “growth forecast is likely to be revised higher and a faster decline in unemployment is likely to be anticipated,” Brown Brothers Harriman & Co. strategists, led by its global head Marc Chandler, wrote in a research note. “Even if the medium-term inflation forecast is lowered, the market appears to be discounting the likelihood of a rate hike late next year or arguably early 2015.”

Sterling has gained 1.3 percent in the past month, the biggest advance among 10 developed nation currencies tracked by Bloomberg Correlation Weighted Indexes. Over that period, the dollar rose 1.3 percent, the euro was little changed and the yen strengthened 0.1 percent, the data show.

Australia’s currency declined 0.3 percent to 93.30 U.S. cents after a report from National Australia Bank Ltd. showed business confidence fell to 5 in October from 12 the previous month.

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