

# Asian shares end the week with a whimper, yen struggles

REUTERS

Asian shares are ending the week with a whimper after a rally to 26-month highs earlier this week drew profit-taking, while the strength in the U.S. dollar as central banks in Europe cut rates kept pressuring the yen towards the intervention zone.

Overnight, the Swiss National Bank cut rates for a second time while the Bank of England opened the door to an easing in August after holding rates steady. Sterling, the Swiss franc and the euro fell, lifting the dollar broadly.

MSCI's broadest index of Asia-Pacific shares outside Japan (.MIAPJ0000PUS) fell 0.6% on Friday, dragged lower by a pull-back in technology shares, tracking a mixed session on Wall Street overnight.

The index is set for a weekly gain of 1% after rising to its highest since April 2022 on Wednesday as a recent run of soft U.S. data reinforced bets of two rate cuts from the Federal Reserve later this year.

Japan's Nikkei (.N225) rose 0.1% and the yen eased another 0.1% to trade at 159.01, its softest since late April when the Japanese authorities intervened in the market to stem the currency's fast declines.

Data showed earlier in the day that Japan's demand-led inflation slowed in May, complicating the outlook for interest rate hikes.

"We're seeing more and more of these central banks either open the door or continue cutting rates and that's a really good thing, particularly as we're starting to see some softer data consistently come out of the U.S.," said Tony Sycamore, analyst at IG.

“But in the short term, I think we should look for more of these end of month, end of quarter flows. In the medium term, I think the market will continue to back those tech and AI winners.”

Chinese stocks were mostly flat, with the Shanghai Composite index (.SSEC) struggling to stay above a critical level of 3,000 points. Hong Kong’s Hang Seng index (.HSI) , opens new tab tumbled 0.9%.

In foreign exchange markets, the euro nursed losses at \$1.0705, having fallen 0.4% overnight as European rate cuts gathered pace, while sterling was flat at \$1.2658, the lowest in five months.

The dollar also held gains against the Swiss franc at 0.8916 francs, having jumped 0.8% overnight.

In contrast, a still hawkish rate outlook for Australia’s central bank has sent the local dollar flying to a 17-year high on the low-yielding yen at 105.85 yen .

Treasuries are set to end the week on the back foot. Two-year yields edged up 2 basis points (bps) on Friday to 4.745% and were up 6 bps for the week, while the 10-year yield also rose 1 bps to 4.2672%, bringing the weekly increase to 5 bps.

Oil prices consolidated on Friday after hitting seven-week highs earlier in the week. Brent futures slipped 0.1% to \$85.59 a barrel while U.S. crude also dipped 0.1% to \$81.19 a barrel.

Gold prices were flat at \$2,358.83 per ounce.