Asian markets mixed ahead of US inflation data, eyes on China

AFP – Markets diverged on Wednesday ahead of US inflation data that could play a key role in the Federal Reserve's interest rate decision next week, while traders were also keeping tabs on Beijing hoping for more economic support measures.
Seoul extended Tuesday's rebound rally, though political uncertainty after South Korean President Yoon Suk Yeol's brief imposition of martial law kept the won under pressure around two-year lows against the dollar.

Investors were taking a breather after a run of volatility in recent weeks fuelled by a range of issues including Donald Trump's re-election, the crisis in South Korea, upheaval in the Middle East and ongoing worries about China's economy.

All three main Wall Street indexes ended in the red Tuesday, with analysts pointing to profit-taking from a string of records, with the focus now on the consumer price index release due later in the day.

While the reading is expected to show a slight pick-up, there is still a strong expectation the US central bank will cut rates for a third straight meeting next week.

"The holiday season is in full swing, and like countless children around the world wishing for something special from jolly old Saint Nick, equity markets are hoping the US Federal Reserve will bring them a comfy-cosy interest rate cut," said Saira Malik, chief investment officer at asset manager Nuveen.

However, there is speculation that monetary policymakers will not make as many reductions next year as previously expected

amid fears that Trump’s planned tax cuts, deregulation and tariff hikes will reignite inflation.

Beijing’s attempts to kickstart growth are also in view, with leaders expected to gather Wednesday for a two-day Central Economic Work Conference aimed at hammering out the agenda for next year.

President Xi Jinping and other top leaders announced on Monday their first major shift in policy for more than a decade, saying they would “implement a more active fiscal policy and an appropriately relaxed” strategy.

The remarks represented a move away from their previous “prudent” approach, sparking hopes for more rate cuts and the freeing up of more cash for lending.

The announcement comes as officials prepare for a second term for Trump, who has indicated he will reignite his hardball trade policies, fuelling fears of another standoff between the superpowers.

Shares in Shanghai rose but Hong Kong gave up an early rally to end in the red.

There were gains in Wellington, Mumbai and Jakarta, but Sydney, Singapore, Bangkok, Taipei and Manila fell. Tokyo was flat.

Seoul rose one percent to build on Tuesday’s advance of more than two percent, which came after tumbling in the wake of Yoon’s December 3 martial law bid.

London, Paris and Frankfurt all opened lower.

Traders are now tracking developments as Yoon faces a second impeachment vote on Saturday.

On currency markets, the euro dropped ahead of the European Central Bank’s monetary policy meeting on Thursday, when it is

expected to cut rates as it seeks to boost the struggling eurozone growth.

Investors are also eyeing Paris, where French officials said President Emmanuel Macron aims to name a new prime minister "within 48 hours" as he seeks to end political deadlock following the ouster of Michel Barnier.

– Key figures around 0810 GMT –

Tokyo – Nikkei 225: FLAT at 39,372.23 (close)

Hong Kong – Hang Seng Index: DOWN 0.8 percent at 20,155.05 (close)

Shanghai – Composite: UP 0.3 percent at 3,432.49 (close)

Seoul – Kospi: UP 1.0 percent at 2,442.51 (close)

London – FTSE 100: DOWN 0.3 percent at 8.253,96

Euro/dollar: DOWN at $1.0490 from $1.0529 on Tuesday

Pound/dollar: DOWN at $1.2733 from $1.2773

Dollar/yen: DOWN at 151.66 yen from 151.92 yen

Euro/pound: DOWN at 82.38 from 82.42 pence

West Texas Intermediate: UP 0.2 percent at $68.71 per barrel

Brent North Sea Crude: UP 0.2 percent at $72.32 per barrel

New York – Dow: DOWN 0.4 percent at 44,247.83 (close)

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