

Asian markets boosted by 'Big Progress' in Japan tariff talks

AFP – Tokyo led Asian stocks higher Thursday as optimism over Japan-US trade talks offset Federal Reserve boss Jerome Powell's warning that Donald Trump's tariffs could force officials to choose between fighting inflation or unemployment.

Investors are keeping a nervous eye on Washington for the next three months as governments scramble to cut deals to avert crippling tariffs unveiled by the US president on his April 2 "Liberation Day" but delayed for 90 days.

With Japanese companies the biggest investors into the United States, Tokyo's negotiations are of particular interest to markets – with some describing it as the canary in the mine – and traders took heart from early signs.

Trump posted on social media that there had been "Big Progress!" and Tokyo's envoy Ryosei Akazawa said "I understand that the US wants to make a deal within the 90 days. For our part, we want to do it as soon as possible".

And while Japan's Prime Minister Shigeru Ishiba warned the talks "won't be easy", he said the president had "expressed his desire to give the negotiations... the highest priority".

Hopes that Trump's blistering tariffs can be pared back have helped temper some of the disquiet on markets after a rout at the start of the month fuelled by talk of a global recession and an upending of historic trading norms.

Some have said there were rumblings that the target of his most painful measures could be open to dialogue, with Bloomberg reporting China wants to see some measures

beforehand, including reining in some cabinet members' anti-Beijing comments.

Shares in Tokyo rose more than one percent with Hong Kong, Singapore and Mumbai, while Shanghai, Sydney, Seoul, Wellington and Jakarta were also up, though Taipei and Bangkok edged down.

London and Paris dropped at the open while Frankfurt rose.

However, uncertainty continues to prevail on trading floors after a selloff on Wall Street – and gold hitting a fresh record above \$3,357 – sparked by Powell's warning over the impact of the tariffs.

He said that while the Fed's employment and inflation goals were largely in balance at this point, policymakers could find themselves in the "challenging scenario" depending on how things evolve.

"Tariffs are highly likely to generate at least a temporary rise in inflation," he told the Economic Club of Chicago, adding that the inflationary effects "could also be more persistent".

He added: "You'll probably see continued volatility."

Chris Weston at Pepperstone said: "Powell has again frustrated some, who perhaps optimistically felt he might change the messaging from his recent communique and to open the door to cuts in the June (policy) meeting, a factor that is priced at 80 percent by interest rate swaps traders."

The World Trade Organization warned Wednesday of "severe negative consequences" for the world because of the trade war, with boss Ngozi Okonjo-Iweala saying she was "very concerned" and that China-US volumes could collapse as much as 81 percent.

Oil prices extended gains after Washington on Wednesday

sanctioned a second China-based “teapot” refinery for purchasing Iranian crude as it continues its “maximum pressure” campaign against Tehran.

The State Department said the measures against Shandong Shengxing Chemical were part of the US president’s campaign to “drive Iran’s illicit oil exports” to zero.

– Key figures at 0715 GMT –

Tokyo – Nikkei 225: UP 1.4 percent at 34,377.60 (close)

Hong Kong – Hang Seng Index: UP 1.2 percent at 21,317.46

Shanghai – Composite: UP 0.1 percent at 3,280.34 (close)

London – FTSE 100: DOWN 0.5 percent at 8,230.71

Dollar/yen: UP at 142.69 yen from 142.12 yen on Wednesday

Euro/dollar: DOWN at \$1.1333 from \$1.1395

Pound/dollar: DOWN at \$1.3231 from \$1.3235

Euro/pound: DOWN at 85.90 pence from 86.06 pence

West Texas Intermediate: UP 0.8 percent at \$62.95 per barrel

Brent North Sea Crude: UP 0.6 percent at \$66.26 per barrel

New York – Dow: DOWN 1.7 percent at 39,669.39 (close)

AFP