

Beat: Business

Dollar rise hits commodities as Fed talks of tightening

Japan is Nikkei

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USPA NEWS - The dollar advanced for a fifth straight session on Thursday, pressuring commodities and Asian shares after yet another Federal Reserve official talked up the chance of more than one increase in U.S interest rates this year.

If the dollar can keep its footing here .DXY it will notch up the first weekly gain in a month against a basket of major currencies. [USD/] The euro eased to \$1.1171 EUR=, leaving it well off last week's top of \$1.1342. Sterling GBP also slid to \$1.4096 GBP= on concerns the attacks in Brussels would aid the campaign to leave the European Union in June's "Brexit" vote.

Equity investors tend to dislike any hint of tighter U.S. policy and MSCI's broadest index of Asia-Pacific shares outside Japan .MIAPJ0000PUS slipped 0.9 percent.

The resource-heavy Australian market lost 1 percent and Shanghai .SSEC 0.9 percent.

A softer yen helped Japan's Nikkei .N225 recoup its early losses and nudge up 0.1 percent, though trading house Mitsui & Co (8031.T) dived 7 percent after suffering its first ever loss.

On Wall Street the Dow .DJI ended Wednesday with a loss of 0.45 percent, while the S&P 500 .SPX eased 0.64 percent and the Nasdaq .IXIC 1.1 percent.

St. Louis Fed President James Bullard joined a chorus of officials in highlighting the risk of at least two rate hikes this year, with the first perhaps as soon as April.

Markets imply only one increase and dealers suspect an orchestrated attempt by the Fed to shift that thinking.

"There is now some speculation on April, as Bullard adds to the relatively optimistic Fed rhetoric this week,"

"The focus now turns to Fed Chair Yellen who will be speaking at the Economic Club of New York next Tuesday, which could give further clarity on the matter."

Yet for all the Fed's chatter about multiple hikes, the market seemed far from convinced. Fed fund futures imply almost zero chance of a move in April and a rate of just 61.5 basis points by year end. The current effective funds rate is 37 basis points.

It was also notable that Treasury yields actually fell in response, with the 10-year US10YT=RR back down at 1.88 percent from a high of 1.95 percent on Wednesday.

Still, the rise in the dollar sparked profit-taking in a range of commodities from oil to gold to copper.

Oil took a further knock when data showed crude stockpiles had risen by three times the amount expected in the latest week. U.S. crude CLc1 fell a further 6 cents to \$39.73 a barrel, after sliding 4 percent on Wednesday. Brent LCOc1 inched up 10 cents to \$40.57.

[O/R]

Gold XAU= was down at \$1,216.80 an ounce, after hitting its lowest since late February at \$1,214.70.

(Reporting by Wayne Cole; Editing by Simon Cameron-Moore)

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