

Asia shares ease, dollar holds firm after Fed minutes

Asian shares fell on Thursday, tracking Wall Street's losses as the U.S. Federal Reserve looked set to maintain its path of interest rate hikes, although signs it may be less aggressive in tightening gave investors some cause for hope.

The dollar rose overnight after the Fed's July minutes pointed to a steady course of rate hikes ahead.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.4%, after U.S. stocks ended the previous session with mild losses. The index is up 1.3% so far this month.

Hong Kong's Hang Seng Index was down 0.73% while China's blue chip CSI300 was off 0.94%.

The Fed's minutes for its July meeting showed it was contemplating paring back the pace of future rate hikes in line with a slowdown in inflation but saw "little evidence" yet that pressures were easing.

Reflecting the mixed mood, Wall Street futures dipped while European futures rose in Asian afternoon trade.

Investors interpreted the minutes as a sign the U.S. tightening cycle could be less aggressive than forecast but showed Fed policymakers committed to raising rates till prices come under control.

"Investors need to hedge urgently - the environment which has led to this bear market rally, which we concede we did not see being as strong as it has been, is about to change," said Mohammed Apabhai, Citigroup (NYSE:C)'s head of Asia Pacific Trading Strategies.

"The Fed has seen monetary conditions loosening and is now set to continue with its tightening. In particular, it is now set to double the pace of quantitative tightening from the current \$47.5 billion to \$95 billion starting Sept. 1."

In early European trade, the pan-region Euro Stoxx 50 futures were up 0.19%, German DAX futures were up 0.15% and FTSE futures were up 0.16%.

In comparison, U.S. stock futures, the S&P 500 e-minis, were down 0.13%.

In Asia, ongoing geopolitical worries continue to dampen sentiment in the region, especially mainland Chinese equities.

"There is a combination of concerns in China that are adding weight and creating a sea of red across the boards," said Kerry Craig, JPMorgan (NYSE:JPM) Asset Management strategist.

"In the Asian region, central banks are not done with rate hikes and that is weighing on markets too."

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