MARKET UPDATE

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Oil falls as US holds off refilling strategic reserve

Oil prices extended losses on Friday on worries about a potential oversupply after U.S. Energy Secretary Jennifer Granholm said refilling the country's Strategic Petroleum Reserve (SPR) may take several years.

Brent crude fell 24 cents, or 0.32%, to $75.67 a barrel by 0412 GMT, while U.S. West Texas Intermediate crude futures slipped 24 cents, 0.34%, to $69.72 a barrel.

Both benchmarks, which fell about 1% on Thursday, were still on track for a weekly gain of about 3%-4%, recovering from their biggest weekly declines in months last week due to the banking sector crisis and worries about a possible recession.

"There is a sell-off from the view that the United States will not refill oil reserve even if the WTI prices are at $67-$72 a barrel," said Hiroyuki Kikukawa, general manager of research at Nissan (OTC:NSANY) Securities.

The White House said in October it would buy back oil for the SPR when prices were at or below about $67-$72 per barrel.

Asia FX weakens as dollar steadies from Fed-driven losses

Most Asian currencies fell on Friday and the dollar steadied near seven-week lows as markets speculated over how imminent a pause in interest hikes may be, although dovish signals from the Federal Reserve put most regional units on course for strong weekly gains.

The safe haven Japanese yen outperformed its peers, rising 0.5% even as data showed Japanese consumer inflation eased as expected in February, lending further credence to the Bank of Japan’s ultra-dovish stance.

Japanese manufacturing activity also remained in contraction territory through March, preliminary data showed. Worsening risk appetite put the yen on course to add over 1% this week. The Chinese yuan was the worst performer for the day, down 0.4% despite a stronger midpoint fix by the People’s Bank. Ructions in the property sector soured sentiment towards China, clouding the outlook for an otherwise strong post-COVID economic recovery.

Asian shares slide on banking concerns, bonds bet on last rate hikes

Asian shares were pressured on Friday after lingering banking stability concerns gripped Wall Street, while bonds bet the recent slew of rate hikes by central banks will be among the last of the cycle, allowing for policy relief later in the year.

The caution is set to extend to Europe, with pan-region Euro Stoxx 50 futures down 0.6%. Both S&P 500 futures and Nasdaq futures fluctuated between gains and losses and were last up about 0.2%.

MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.2% on Friday, although it was heading for a still solid weekly gain of 2%. Japan's Nikkei also slid 0.2%.

Both China's blue-chip index and Hong Kong's Hang Seng lost 0.3%, with sentiment weighed by persisting geopolitical tensions between the world's two biggest economies.

The Biden administration on Thursday added 14 Chinese companies to a red flag list for exports, while U.S. lawmakers attacked TikTok for its ties with China, pushing further for a ban on the app nationwide.

Data on Friday showed Japan's manufacturing activity contracted for a fifth straight month in March, adding to evidence of sputtering global demand, while core consumer inflation in Japan eased, although price pressures persist.

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