MARKET UPDATE

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Safe-haven dollar sluggish as banking fears ebb; yen drops

The safe-haven U.S. dollar struggled to find its footing on Wednesday following two days of losses as global financial markets regained a measure of stability on hopes a full-blown banking crisis can be averted.

The dollar index, which tracks the currency against six major peers, edged 0.08% higher to 102.57 in Asian trading, following drops of about 0.3% in each of the past two sessions. The weakness comes despite a rise in U.S. Treasury yields, also the result of ebbing demand for the safest assets.

The yen remained volatile in the run-up to the end of the Japanese fiscal year on Friday. The dollar jumped 0.59% to 131.68 yen and touched a one-week high of 131.80.

The yen had dropped 0.5% the previous day, when it uncharacteristically moved in the opposite direction with long-term U.S. Treasury yields.

SoftBank shares jump on Alibaba split-up plans

Shares in SoftBank Group Corp soared on Wednesday after Chinese e-commerce conglomerate Alibaba (NYSE:BABA) Group, in which the Japanese technology investor has a 13.7 % stake, announced a major restructuring plan.

SoftBank shares were up 5.6% in afternoon trade, on track to post the biggest percentage gain in five months. Alibaba shares were up 13.2%.

Alibaba said on Tuesday it was planning to split into six units and explore fundraising or listings for most of them, in the biggest restructuring in its 24-year history.

SBI Securities analyst Shinji Moriyuki said the split-up would probably prevent Chinese government scrutiny of any of Alibaba's operations from affecting the rest of the group.

China's unprecedented regulatory crackdown in the last couple of years on its marquee domestic companies - mainly in the internet, private education and property sectors - wiped off billions in market values and weighed on investor sentiment.

Alibaba said on Tuesday it would split into six units - Cloud Intelligence Group, Taobao Tmall Commerce Group, Local Services Group, Cainiao Smart Logistics Group, Global Digital Commerce Group and Digital Media and Entertainment Group.

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Gold prices fall amid rising yields

Gold prices fell in Asian trade on Wednesday, coming under pressure from an overnight surge in Treasury yields and as regulators further downplayed concerns over a widespread U.S. banking crisis.

But the yellow metal still remained relatively well bid, with investors building their long positions on bullion prices in recent weeks on concerns that the recent collapse of several U.S. banks could leave lasting scars on the economy.

Treasury yields surged after the Federal Reserve's head of banking supervision, Michael Barr, said in a testimony that the U.S. banking system was resilient, and that the recent collapse of Silicon Valley Bank was due to a “textbook case of mismanagement.”

Spot gold fell 0.2% to $1,969.01 an ounce, while gold futures expiring in June fell 0.2% to $1,987.00 an ounce by 22:02 ET (02:02 GMT). Both instruments made another run at the $2,000 level on Tuesday, before closing the session below key highs.

Barr’s comments spurred some bets that the Fed may still have enough economic headroom to keep raising interest rates, especially if the banking sector stabilizes.

But Treasury yields were still trading well below highs hit earlier this year, given that the Fed recently hinted that interest rates were close to reaching terminal levels, after which the bank will pause its rate hike cycle.

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