MARKET UPDATE

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Asian stocks hit by BOJ shock.

Asian stocks fell on Friday, with Japan's Nikkei logging steep losses after somewhat hawkish messaging from the Bank of Japan, while Chinese shares outperformed on hopes of more stimulus measures.

Broader Asian markets also came under pressure from data showing the U.S. economy grew more than expected in the second quarter, which spurred concerns that the Federal Reserve will have enough economic headroom to keep raising interest rates. This came after the central bank kept the door open for more rate hikes earlier this week.

Japanese stocks tumble after BOJ offers hawkish signals .

The Nikkei 225 index slid 2.4%, while the broader TOPIX lost 0.9% after the BOJ said it will carry out its yield curve control (YCC) operations with more flexibility, by allowing bond yields to fluctuate more outside its target range.

Losses in both indexes were broad-based, with only financial and utility sectors trading positive.

Oil retreats from 3-mth highs amid profit taking, dollar recovery.

Oil prices fell on Friday as traders locked in profits after strong gains this week, while a recovery in the dollar, on the back of strong U.S. economic data, also weighed on crude markets.

Crude prices had surged to April peaks on Thursday after data showed that the U.S. economy grew more than expected in the second quarter, driving down fears of a recession that could potentially dent oil demand this year.

The data also came amid increasing signs of tightness in the oil market, as the effects of production cuts by Saudi Arabia and Russia began to be felt.

But the strong U.S. data boosted the dollar, amid bets that the Federal Reserve will now have enough economic headroom to keep raising interest rates. This notion saw investors lock-in some profits in oil prices, although they were still headed for strong weekly gains.This notion, coupled with a drop in the dollar following the Fed decision, helped support oil prices.

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End of Nigerian fuel subsidy set to squeeze Europe's refiners.

One of Europe's main markets for gasoline has shrunk, threatening to squeeze European refiners, after Nigeria removed fuel subsidies, which destroyed much of the country's domestic demand and a regional market for smuggled fuel.

North America and West Africa (WAF), with Nigeria at the helm, historically have been the top two destinations for petrol exports from Europe, which produces more gasoline than it uses, meaning its refiners rely on exports to support profit margins.

A steady decline in European refining margins in recent years, as competition from the Middle East, the United States and Asia grew, was reversed when fears of fuel supply shortages boosted profits after Russia's invasion of Ukraine.

So far, benchmark profit margins for gasoline in northwestern Europe have held firm at around $27 a barrel, Refinitiv Eikon data shows.

They have been supported by demand from North America, a shortage of high quality blending materials, disruption caused by low water levels inland and local refinery outages. [PRO/E]

But analysts say the reduction of flows following the upheaval in Nigeria will increase pressure on European refiners, and any winners are likely to be newer Middle Eastern refineries.

At the end of May, Nigeria's President Bola Tinubu scrapped a popular but expensive subsidy on the fuel, which cost the cash-strapped government $10 billion last year. Petrol demand in response fell by 28%, official data showed.

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