MARKET UPDATE

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Oil eases ahead of China, U.S. data

Oil prices dipped in Asian trade on Monday as investors tread cautiously ahead of fresh economic data from top consumers the United States and China this week, though expected crude supply cuts from Saudi Arabia and Russia limited losses.

Brent crude futures fell 51 cents, or 0.7%, to $77.96 a barrel by 0345 GMT, and U.S. West Texas Intermediate crude was at $73.34 a barrel, down 52 cents, or 0.7%.

"Oil traders may be cautious ahead of the U.S. CPI and China's slew of economic data later this week," CMC Markets analyst Tina Teng said.

However, crude prices could rebound after OPEC+ announced plans to further reduce supply, she said.

China's factory-gate prices fell at the fastest pace in over seven years in June, government data showed on Monday, as the momentum of economic recovery the world's second-largest economy has slowed.

The oil benchmarks gained more than 4% last week to touch their highest marks since May, rising for a second straight week after the world's biggest oil exporters Saudi Arabia and Russia pledged to deepen supply cuts in August.

Asia shares turn mixed

Asian share markets turned mixed on Monday as a surprisingly low reading on Chinese inflation highlighted the troubles in its economy, ahead of data on U.S. inflation and corporate earnings later in the week.

Chinese consumer price figures showed a fall in June to be essentially unchanged from a year before, while producer prices slid deeper into negative territory.

The miss implies there is plenty of scope to ease monetary policy further, but also underlines the challenge Beijing faces in reflating its economy and avoiding a deflationary spiral.

The yuan lost early gains on the news, though Chinese blue chips were still up 0.5% on hopes for a loosening in regulations for the tech sector. Shares in Hong Kong's Alibaba (NYSE:BABA) Group also joined the rally.

The gains in China helped MSCI's broadest index of Asia-Pacific shares outside Japan firm 0.3%. Japan's Nikkei eased 0.1% in the wake of a higher yen, while South Korea added 0.2%.

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Dollar recoups losses, weak China inflation data dents yuan

The dollar clawed back its losses on Monday, recovering from a knee-jerk reaction to data showing U.S. job gains were the smallest in two-and-a-half years, while disappointing inflation figures in China weighed on the yuan and proxies.

Nonfarm payrolls increased 209,000 in June, figures released on Friday showed, missing market expectations for the first time in 15 months.

However, details in the employment report reflected persistently strong wage growth, pointing to still-tight labour market conditions.

The U.S. dollar marched higher in Asia trade after tumbling nearly 1% against a basket of currencies on Friday in response to the data and rose particularly against the Japanese yen.

The greenback was last 0.53% higher at 142.98 yen, having slid nearly 1.3% against the Japanese currency on Friday as U.S. Treasury yields eased. [US/]

The dollar/yen pair is particularly sensitive to U.S. yields as interest rates in Japan are anchored near zero.

"It's a bit of an unwind from the overreaction that we saw on Friday. There was an overreaction to the nonfarm payrolls report, so it doesn't surprise me that the yen's weakening today," said Joseph Capurso, head of international and sustainable economics at Commonwealth Bank of Australia (OTC:CMWAY).

Sterling was last 0.25% at $1.2809, after having surged to a more than one-year peak of $1.2850 on Friday, while the euro slid 0.14% to $1.0953.

"I certainly don't trust that U.S. dollar move...whether it's sustained," Chris Weston, head of research at Pepperstone, said of the dollar's decline last week. "If you look at the wage data, (it) was pretty hot...and the unemployment number was pretty good."

The focus now turns to U.S. inflation data due on Wednesday, where expectations are for core CPI to have risen 5% on an annual basis in June.