

MARKET UPDATE

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Asia FX weak amid dollar strength.

Most Asian currencies were fragile on Monday as the dollar steadied near two-month highs, while weakness in the Japanese yen sparked caution over potential intervention measures by Tokyo.

Sentiment towards regional markets was also dampened by fears of a trade war between China and the European Union, after Chinese officials warned of retaliatory measures against European tariffs on Chinese electric vehicles.

Markets were also reeling from stronger-than-expected U.S. purchasing managers index readings, which sparked heavy flows into the dollar and out of risk-driven assets.

Japanese yen weak, on intervention watch as USDJPY nears 160

The yen was the biggest point of focus among Asian currencies on Monday, as its USDJPY pair, which gauges the amount of yen needed to buy one dollar, came within spitting distance of 160 yen.

The level was the pair's highest since 1986, and had attracted heavy amounts of government intervention in currency markets in May, which saw the USDJPY pair fall as low as 151.

European shares open flat.

European shares opened flat on Monday as falling shares of mining companies kept gains in check as focus remained on the first round of French parliamentary elections later this week.

The pan-European STOXX 600 held steady at 515.06 points as of 0712 GMT, with basic resources falling close to 1% amid weaker metal prices, while autos led early gains with a 1.2% increase.

The focus will be on the first round of France's parliamentary elections this week with polls showing a lead for the far right National Rally (RN) party and its allies. The French benchmark began the week 0.2% up.

Among other stocks, Germany's Zalando dropped 6.7% after Morgan Stanley cut the online retailer to "equal weight" from "overweight". Hochtief advanced 6.6% as Jefferies upgraded the German construction firm to "buy" from "hold".

Oil eases as strong dollar weighs on commodities markets.

Oil prices inched down on Monday as concerns of higher-for-longer interest rates resurfaced and lifted the dollar, offsetting support for oil markets from geopolitical tensions and OPEC+ supply cuts.

Brent crude futures slipped 3 cents to \$85.21 a barrel by 0632 GMT, after settling down 0.6% on Friday. U.S. West Texas Intermediate crude futures were at \$80.71 a barrel, down 2 cents.

"The U.S. dollar has opened bid this morning and appears to have broken higher following better U.S. PMI data on Friday night and political concerns ahead of the French election," said Tony Sycamore, a Sydney-based markets analyst at IG.

A stronger greenback makes dollar-denominated commodities less attractive for holders of other currencies.

The dollar index, which measures the greenback against six major currencies, climbed on Friday and was up slightly on Monday after purchasing managers index data showed U.S. business activity was at a 26-month high in June.

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