MARKET UPDATE

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Japanese shares rally hard after biggest sell-off since 1987.

Japanese stocks rebounded sharply on Tuesday from the previous session's searing sell-off and double-digit losses as Federal Reserve comments and data gave investors pause in their concerns over equity valuations and a possible U.S. recession.

The benchmark Nikkei's rally, after the market's biggest single day rout since the 1987 Black Monday crash, came as the yen reversed its gains, indicating the carnage in yen-funded global carry trades too was easing.

In a turbulent day of trading, the Nikkei closed up 10.2% at 34,675.46, after plunging 12.4% on Monday, leaving investors feeling whip-lashed. The index finished up 3,217.04 points, notching its largest ever single-day point gains. It was also the Nikkei's biggest daily percentage rise since October 2008.

The broader Topix climbed 9.3% to 2,434.21.

Investors had been shaken by last week's plunge in global stock markets, U.S. recession risks, and worries investments funded by a cheap yen were being unwound, triggering a sell-off in Japanese equities on Monday.

Traders said they now appeared to be reconsidering the severity of their initial response, buying back shares on the dip.

"Fundamentally, nothing significant has changed for the Japanese economy. It is the unwinding of the carry trade driving a lot of the momentum sells," said Ray Sharma-Ong, head of multi-asset investment solutions for Southeast Asia at abrdn.

The Nikkei rally helped lift other Asian stock markets. Overnight, safe-haven U.S. yields too had risen from lows in a sign the panic was abating.

But uncertainties remained, with analysts pointing to the possibility of more volatile market moves in the near-term.

Japanese officials meanwhile scrambled to calm markets, with Prime Minister Fumio Kishida urging caution and calling on market participants to stay calm.

An emergency trilateral meeting of the Ministry of Finance, Financial Services Agency and the Bank of Japan was held at 0600 GMT to discuss markets.

European shares bounce from brutal sell-off.

European shares rebounded on Tuesday after hitting six-month lows in the previous session, resonating a recovery across Asian markets, and buoyed in part by a plethora of corporate earnings.

The STOXX 600 was up 0.8%, as of 0717 GMT, after the continent-wide index logged on Monday its steepest three-day decline since June 2022, closing below the key 500-point mark for a second day.

Japan's Nikkei gained 9% after the markets witnessed its largest single-day decline since 1987 in the previous session. [MKTS/GLOB]

The travel sub-index was the top gainer among sectors, led by a 2.1% gain in InterContinental Hotels Group after the Holiday Inn owner reported higher numbers in the second quarter.

Among individual stock moves, Italian bank Monte dei Paschi di Siena surged 8.2% ater it raised its profit outlook.

Adecco (SIX:ADEN) gained nearly 5% even as the Swiss staffing company flagged bleak hiring trends to persist in the third quarter.

Shares of Zalando gained 4% after the online fashion marketplace reported an 18.5% rise in its operating profit for the second quarter.

Abrdn gained 3.7% despite the British asset manager reporting a modest dip in its assets under management in the six months ended June 30.

Further out, it remains to be seen how much longer can the 'terrace' trend continue and whether Adidas can transition into what comes next, such as 'retro running' and 'low profile' lines, Irwin added.