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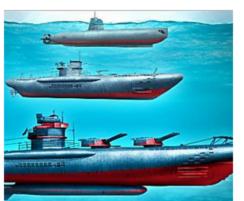


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Asia stocks gain, dollar sags on Fed governor's dovish comments

By REUTERS

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By Shinichi Saoshiro

TOKYO, Sept 13 (Reuters) - Asian stocks rose on Tuesday after Federal Reserve Governor Lael Brainard calmed global markets with remarks that appeared to reduce the prospects of a near-term interest rate hike.

The dollar, on the other hand, nursed losses against its peers after Brainard reiterated her dovish views and warned against a rush to raise rates.

Spreadbetters expected the upswing for equities to continue in Europe, forecasting a higher open for Britain's FTSE, Germany's DAX and France's CAC.

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.4 percent, after tumbling 2.4 percent on Monday.

Japan's Nikkei was up 0.3 percent.

South Korea's Kospi rose 0.5 percent and Australian stocks advanced 0.1 percent. Hong Kong's Hang Seng added 0.8 percent and Shanghai bucked the trend to lose 0.2 percent.

Investors were unfazed by a run of relatively upbeat Chinese data that included industrial output, which rose a better-than-expected 6.3 percent in August, further dimming expectations of a rate cut any time soon.

FED FATIGUE

While some investors had speculated that Brainard would switch over to the more hawkish camp, the Fed governor said Monday she wanted to see a stronger trend in U.S. consumer spending and evidence of rising inflation before the Fed raises rates.

The comments solidified the view the U.S. central bank would leave interest rates unchanged next week.

"We can stick with our main scenario that the Fed won't raise rates in September. All the talk about a possible rate hike in September turned out to be noise," said Koichi Yoshikawa, executive director of finance at Standard Chartered Bank's Tokyo branch.

Future traders are now pricing in just a 15 percent chance of a hike at the Fed's Sept. 20-21 policysetting meeting, down from 21 percent earlier on Monday, according to the CME Group's FedWatch Tool.

U.S. stocks racked up their strongest gain in two months on Monday, with the Dow rising 1.3 percent and the S&P 500 gaining 1.5 percent.

The dollar dipped 0.1 percent to 101.940 yen after shedding 0.8 percent overnight. The euro was flat at \$1.1234 while the dollar index stood little changed at 95.155 after losing about 0.2 percent the previous day.

In the global bond market, the recent sharp rise in yields was halted for now after Brainard's comments. Yields had been rising as bond prices fell in the face of perceived limits to monetary policies of major central banks such as the European Central Bank and the Bank of Japan.

The benchmark 10-year U.S. Treasury note yield stood at 1.649 percent after touching a 2-1/2 month high of 1.697 percent earlier on Monday.

Its 10-year Japanese counterpart yielded minus 0.020 percent , nudged away from a six-month peak of minus 0.010 percent reached recently.

Crude oil prices dipped as investors sold into the previous day's gains and on concerns over increased drilling in the United States.

Brent crude was down 0.7 percent at \$47.98 a barrel after rising 0.65 percent overnight on a weaker dollar and stronger U.S. equity markets.

Copper climbed off a 12-week low as U.S. rate hike jitters subsided. Three-month copper on the London Metal Exchange edged up 0.1 percent to \$4,650.50 a tonne after plumbing \$4,582 a tonne on Monday, the weakest since June 20.

Meanwhile, the markets pondered political developments in the United States and their potential financial implications.

"Hillary Clinton's September 11th medical episode and revelations of a recent pneumonia diagnosis may have pushed markets to begin taking a closer look at presidential candidate Donald Trump, whom markets appear to see as less predictable," said Andrew Meredith, co-managing director at Tyton Capital Advisors in Tokyo.

Presidential candidate Clinton almost collapsed at an event on Sunday, suffering from pneumonia, although she said on Monday she could resume campaigning in a couple of days. (Reporting by Shinichi Saoshiro; Additional reporting by Hideyuki Sano and Ayai Tomisawa in Tokyo; Editing by Eric Meijer and Kim Coghill)

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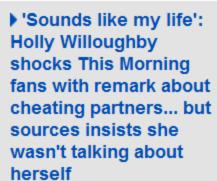
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