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Markets | Thu Mar 10, 2016 9:51pm EST

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# Nikkei falls after ECB's signal stokes volatility

Japanese stocks fell on Friday morning after European Central Bank chief Mario Draghi dampened hopes of further interest rate cuts after easing aggressively, stoking volatility in the yen and blunting risk appetite.

The Nikkei share average slipped 0.9 percent to 16,705.55. Japan's benchmark index remains on course to shed about 1.8 percent for the week.

The ECB cut key rates and expanded its asset-buying plan overnight, but initial positive market reactions reversed after Draghi said that he doesn't anticipate further rate reductions.

"Draghi's signal... sent currency markets into u-turns and, along with fears the ECB may be running out of ammunition, added downward pressure on Asian markets," said Andrew Meredith, co-managing director at Tyton Capital Advisors.

The U.S. dollar fell 0.5 percent to 112.69 yen overnight, squeezing Japan's exporters and scuffing broader sentiment.

Shares of Panosonic Corp and Bridgestone Corp both slipped 2 percent during midmorning trade, while Sony Corp edged down 0.8 percent. Nissan Motor Co Ltd and Honda Motor Co Ltd both declined 1.6 percent.

"The yen volatility we've seen following Draghi's comments is going to temper any big-picture optimism that comes out of the ECB's moves," said Stefan Worrall, director of Japan equity sales at Credit Suisse.

Some traders were concerned that the ECB's surprise moves might limit Bank of Japan chief Haruhiko Kuroda's hand at the next BOJ policy meeting.

"There was already concern that Kuroda may have run out of bullets," said Gavin Parry, managing director at Parry International Trading.

"We now see a higher probability that the BOJ will wait to see what FOMC moves come, especially since the new BOJ board member joining will replace a prior dissenter."

The Topix subindex for banks rose 1 percent, led by Shinsei Bank Ltd, which gained 2.7 percent.

The broader Topix fell 0.7 percent to end the morning session at 1,343.41 with all but four of its 33 subindexes in negative territory. The index is on track to end the week about 2.3 percent lower.

The JPX-Nikkei Index 400 fell 0.8 percent to 12,142.78. (Reporting by Joshua Hunt; Editing by Simon Cameron-Moore)

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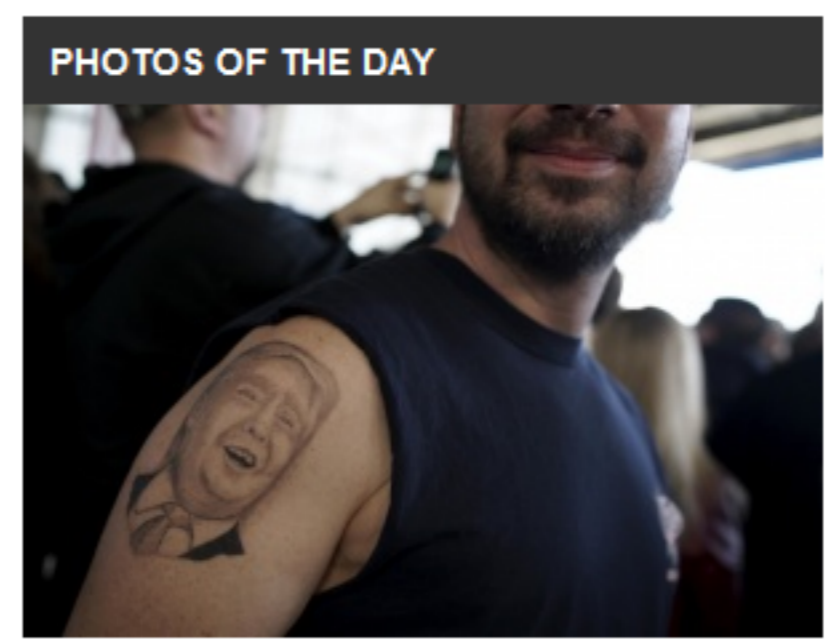
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