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March 17, 2016 3:37 pm JST

Asia jumps as cautious Fed lifts risk appetite, dollar on defensive

TOKYO (Reuters) -- Asian shares gained across the board on Thursday as risk appetite revived after the Federal Reserve reduced the number of interest rate hikes expected this year, while the dollar nursed substantial losses.

Spreadbetters saw the upward momentum for equities being retained in Europe, forecasting a higher open for Britain's FTSE, Germany's DAX and France's CAC.

The potential for more money to continue flowing into commodities and equities, rather being lured by higher U.S. interest rates, boosted crude oil and emerging market stocks.

MSCI's broadest index of Asia-Pacific shares outside Japan climbed to a two-month high and was last up 1.9 percent.

Australian stocks added 1 percent, South Korea's Kospi rose 0.9 percent and Shanghai was up 1 percent. Japan's Nikkei pared earlier gains and fell 0.6 percent as the dollar slipped versus the yen.

Asian equities took their cue from Wall Street, where the S&P 500 closed at its highest level this year following the U.S. central bank's cautious message.

The Fed concluded a closely watched two-day policy meeting on Wednesday by leaving interest rates untouched, as expected, and signalling fewer rate hikes in coming months as the United States continues to face risks from an uncertain global economy.

"Removing interest rate risk from the near horizon has been enough to coax money back into risky assets, but price increases in gold and the depreciation of the dollar would indicate that quantification of the degree of risk still varies greatly," said Martin King, co-managing director at Tyton Capital Advisors.

Global growth concerns, particularly regarding China, have rattled markets through much of the this year, and this was seen to have influenced the Fed's position.

"In our view, the Fed has become increasingly responsive to changes in financial conditions. We believe this sensitivity is a problem since we see the Fed's intended policy actions as contributing to the very financial conditions that led to its eventual inaction," strategists at Barclays wrote.

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Market data

Nikkei 225	15,821.52	+71.68	+0.46%
DJIA	17,541.96	-174.09	-0.98%
Hang Seng	20,189.45	-76.60	-0.38%
USD/JPY	108.64	+0.08	+0.07%
USD/CNY	6.48	+0.01	+0.15%

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