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Asian shares rise, sterling stands tall ahead of Brexit vote

Investors remain wary ahead of Thursday's British vote, as well as Federal Reserve chief Janet Yellen's two-day testimony before Congress

Reuters | Tokyo
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A man walks past a display of the Nikkei average and other market indices outside a brokerage in Tokyo. Photo: Reuters

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Asian shares rose after a tentative start on Tuesday, cautiously extending a rally triggered by growing expectations that British voters will opt to remain in the European Union in this week's referendum.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.5% in late afternoon trade, while spreadbetters predicted European markets would open mixed, with Britain's FTSE and France's CAC seen slightly down and Germany's DAX expected to edge up.

Investors remain wary ahead of Thursday's British vote, as well as Federal Reserve chief Janet Yellen's two-day testimony before Congress starting later on Tuesday, as she might offer clues on the timing of the next US interest rate increase.

"With Yellen's congressional testimony and the UK referendum on our doorstep, markets all around are exercising caution," said Andrew Meredith, co-managing director at Tyton Capital Advisors in Tokyo.

Bookmakers' odds have also shown "Remain" gaining traction in Britain's referendum, with Betfair putting the implied probability of such an outcome at 72% on Monday, up from 60-67% on Friday.

Two of the latest polls showed the "Remain" camp in the lead, reversing a recent rise in support for pulling out and prompting a rally in global equities and the pound.

"The polls were not supposed to influence as much as they have, but overnight we have seen a rampant position adjustment and an unwind of Brexit hedges," wrote Chris Weston, chief market strategist at IG in Melbourne.

Japan's Nikkei stock index reversed early losses and ended up 1.3%.

A Reuters poll showed that confidence at Japanese manufacturers inched up in June from the prior month's three-year low and is seen rising only slightly ahead, reflecting worries about the yen's rise as Britain decides whether or not to leave the European Union.

Minutes of the Bank of Japan's (BOJ's) April meeting released on Tuesday showed policymakers believe overseas economies continue to pose downside risks to Japan's economy and prices.

The pound added 0.2% to \$1.4708 after it rose as high as \$1.4728, extending a recovery from last Thursday's more than two-month trough of \$1.4013.

The dollar added 0.5% to 104.44 yen, moving away from Thursday's nearly two-year low of 103.55 that was hit after the BOJ held policy steady, disappointing investors hoping for more stimulus.

Finance Minister Taro Aso said on Tuesday that Japan would respond to rapid currency moves, although he said the country would not intervene in the market so "easily".

The euro gained 0.2% to \$1.1331.

Later in the session, Germany's constitutional court will rule on the emergency bond-buying plan devised by the European Central Bank (ECB) during the financial crisis. An outright rejection of the programme is viewed as unlikely, but the ruling could potentially upset the ECB's current programme and roil markets.

Crude oil futures gave back some of their gains after surging 3% on Monday as Brexit fears waned.

Brent crude shed 0.9% to \$50.21 a barrel, while US crude was down 0.8% at \$48.99.

Spot gold also slipped, down 0.5% to \$1,283.90 an ounce.

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