DOW JONES NEWSWIRES

An RBA Rate Increase Would Have its Own Dangers -- Market Talk

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0438 GMT - The RBA has left interest rates on hold for 21 months. A rate increase is unlikely until 2020--as growth remains weaker than the RBA expects, wages growth and inflation remain low for longer, bank lending standards tighten further and house prices in Sydney and Melbourne are falling with more downside ahead. Shane Oliver, chief economist at AMP Capital says raising rates at a time of falling house prices could be dangerous. (james.glynn@wsj.com ; JamesGlynnWSJ)

0346 GMT - More declines loom for the Aussie and New Zealand dollars versus the greenback, says Capital Economics, as US interest rates are set to keep rising while central banks Down Under remain on the sidelines. The firm also sees pressure on the Aussie from iron-ore prices, down 13% from recent highs and set to fall further, it predicts. CapEcon sees the Aussie getting to US$0.72 later this year and the kiwi potentially reaching US$0.68. They're currently at US$0.7505 and US$0.7020, respectively. (james.glynn@wsj.com; @JamesGlynnWSJ)

0342 GMT - Better revenue flow creaste more room in the coming Australia budget for tax cuts, notes JPMorgan. While sizable fiscal easing is constrained by a pledge to get the national budget back to surplus early next decade, the looming spending blueprint is a pre-election one. That could create some added desire to trim taxes, which could add two-tenths to GDP growth, the investment bank estimates. (james.glynn@wsj.com; @JamesGlynnWSJ)

0338 GMT - The Aussie dollar skidded some 15% versus the euro from February 2017 to this March before stabilizing since. But at 2 1/2-year lows of late, the Aussie could get a lift if commodoties prices hold up and eurozone data remains muted as US-led trade tensions are a cause for concern for both Australia and the eurozone, notes Westpac. (james.glynn@wsj.com; @JamesGlynnWSJ)

0320 GMT - Though New Zealand's unemployment is at late 2008 levels, employment growth slowed to start 2018 and wage inflation remains missing in action, implying there's still some spare capacity remaining, says Westpac. Data for 1Q "have arguably deepened the mystery about the state of New Zealand's labor market." (james.glynn@wsj.com; @JamesGlynnWSJ)

0241 GMT - Malaysian stocks have started this morning on pace for their worst day in 4 weeks, with investors returning from yesterday's regional holiday apparently concerned about next Wednesday's election. A stock broker told WSJ that the election is looking to be closer than expected and that the ruling government may get less support than in 2013. The FBM KLCI is down 1.3%, notably underperforming the rest of the region, while the ringgit has slid to a 2-month low versus the resurgent dollar--which hit 2018 highs during Tuesday's global session. Seeing some demand this morning are defensive areas like REITs; Amanahraya climbs 1.8% and KIP jumps 2.6%. Meanwhile, 2018 highflyer Nestle Malaysia has slid 3.5% this morning. (yantoultra.ngui@wsj.com; @yantoultra)

0233 GMT - China's official and Caixin PMIs pointed to steady economic momentum in April, says bear Julian Evans-Pritchard at Capital Economic. But he quickly adds that stability won't be sustained for long given the drags on economic activity from regulatory tightening and slower credit growth. Those headwinds were countered to start 2018 by the easing of winter pollution controls, he says, helping factory activity in northern China. (grace.zhu@wsj.com)

0231 GMT - Taiwan manufacturers saw their weakest operating conditions since October last month, with manufacturing PMI easing to 54.8 from March's 55.3 on slowed increases for output and total new business, says index compiler IHS Markit. "Softer demand conditions...and a weaker increase in purchasing activity therefore hint that growth of the sector may slow further in the coming months," it adds. (chester.yung@wsj.com; @chester_yung)

0205 GMT - A private gauge of China's factory activity shows softening demand for the country's products, confirming the result of an official survey. Research firm IHS Markit, which releases the Caixin China manufacturing PMI, says April's factory survey showed a decline in new export orders for the 1st time since November 2016. "Anecdotal evidence suggested that relatively subdued demand in international markets had weighed on export business." Total new orders also slowed in April. The Caixin overall PMI was 51.1, versus 51 in March, as production accelerated slightly. (liyan.qi@wsj.com)

0126 GMT - China guided the yuan 0.4% weaker against the dollar this morning in the first fixing following a 4-day holiday weekend, putting the yuan at its weakest level since Jan. 25. Amid the dollar's ongoing gains, the PBoC set today's reference rate for the dollar at CNY6.3670, compared with CNY6.3393 on Friday. The WSJ Dollar Index is up roughly 1% since Friday and finished domestic trading Friday at CNY6.3439. (saumya.vaishampayan@wsj.com; @saumvaish)

0100 GMT - The most-notable element of New Zealand's 1Q employment growth was the slowdown in private-sector labor costs, says Deutsche Bank. Ordinary-time earnings rose 0.3% after 4Q's 0.4% increase, resulting in another quarter of 1.9% year-over-year growth, remaining at the lowest since 2015. Still, some caution is needed in interpreting the data in light of strength in other labor indicators, Deutsche Bank adds. (james.glynn@wsj.com; @JamesGlynnWSJ)

0053 GMT - Malaysian manufacturing conditions deteriorated for a 3rd month in April, driven by faster declines in output and new orders, according to PMI data from IHS Markit. The headline factory index fell to 48.6 from 49.5 in March; 50 is the dividing line between expansion and contraction territory. The data are indicative of a modest deterioration in sector health since October. IHS Markit says lower production requirements and subdued demand conditions led to manufacturers cooling purchases and pre-production inventories. Input-cost inflation is sharp, too. The bright side is that business sentiment regarding output for the coming year hit 4 1/2-year highs and firms continue to expand capacity and payroll. (yantoultra.ngui@wsj.com; @yantoultra)

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