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Global Equities Roundup: Market Talk

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The latest Market Talks covering Equities. Published exclusively on Dow Jones Newswires throughout the day.

2307 GMT -- Australia's economic backdrop and Reserve Bank of Australia commentary indicate that the next move in interest rates is up. But new uncertainties from falling dwelling prices, funding cost pressures and tightening lending standards are set to lengthen the RBA's patience, says CBA's chief economist Michael Blythe. The bank has delayed the timing of the first RBA rate rise from November 2018 to February 2019 as a result. CBA still puts the cash rate peak at 2.5% and still doesn't expect to get there until 2020. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ) 1830 ET - The Australian Industry Group Australian Performance of Services Index fell 1.7 points to 55.2 in April, a 14th consecutive month of positive results despite a slight deceleration of growth compared with March. The employment sub-index of the Australian PSI has pointed to rising services sector employment for 11 consecutive months built on a run of activity growth now extending into its 14th month. Wage growth lifted again in April with greatest wages pressure in higher-skill occupations. james.glynn@wsj.com ; @JamesGlynnWSJ

0542 GMT - In the 1980s, Aussie financial markets trembled at rapidly increasing current-account deficits. Part of that fear helped the economy toward its last recession a quarter-century ago as interest rates were raised in part to stem demand. Fast forward to 2018 and the country is on track to post a 1Q current-account deficit of just 2.2% of GDP, says CBA. That's barely worthy discussion. And even-better times might be ahead as LNG exports lift and China's demand for iron ore remains strong. Recent weakness in the Aussie dollar will also help if it persists--which some currency watchers think it might. (james.glynn@wsj.com; @JamesGlynnWSJ) 0523 GMT - Aussie new-vehicle sales remain near record highs, says the Federal Chamber of Automotive Industries. Volume in the year through April rose 2.9% from the prior 12 months to 1.2 million units. Commsec chief economist Craig James says that highlights record-strong business conditions and improving vehicle affordability. (james.glynn@wsj.com; @JamesGlynnWSJ) 0512 GMT - CBA is facing how things currently stand and pares back its optimism on the Aussie dollar. Its year-end target has moved to US$0.78 from US$0.83 amid slower global economic growth and the investment bank no longer thinking the RBA will raise interest rates this year. Then there's also the greenback's recent rally to 2018 highs, which has pushed the Aussie down to US$0.7525. Richard Grace, the global head of FX strategy at CBA, says it's difficult to get bearish on the Aussie when the global economy is still firm, Australia GDP is set to rise 3% both this year and next and interest rates eventually starting to rise there. (james.glynn@wsj.com; @JamesGlynnWSJ) 0509 GMT - InvoCare Ltd. may be investing to grow, but investors are keen to start seeing some signs of that growth. Shares in the funeral-home operator are being sold off after a downgrade to FY18 earnings guidance, and Macquarie says the company's overhaul strategy--which is resulting in temporary refurbishment-related closures--is clearly causing some short-term pain. "We expect InvoCare will need to show delivery of 'Protect & Grow' targets (market share/ROIC growth) to drive a re-rating from here," says Macquarie. It keeps a A$12.71 target on the stock, which trades down 3.6% at A$11.70. (rhiannon.hoyle@wsj.com ; @RhiannonHoyle) 0506 GMT - Australia's trade surplus widened from A$1.3 billion in February to A$1.5 billion in March, the largest surplus in ten months. In the first three months of the year, there have been surpluses of over A$1 billion each month, a result not witnessed for a year, says St. George. Exports lifted 1.4% in March, which was the fifth consecutive monthly increase. Net exports are likely to contribute to growth in the March quarter, the bank adds. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ) 0457 GMT - Minerals-sands company Sheffield could see its shares nearly double if forecasts of a looming forecast come to pass, says RBC. It starts coverage at outperform with a speculative risk caution and A$1.50 target. The stock is already up 22% this year, including 2.6% today, to A$0.795. "Mineral sands can be complex, with a differentiated product suite and lack of price transparency," the investment bank notes. "However, recent events suggest that fundamental tightness could start to move prices higher." RBC adds a few recent M&A deals in the small industry are also "markers of a sector that is getting interesting." (rhiannon.hoyle@wsj.com; @RhiannonHoyle) 0435 GMT - National Australia Bank's shares have pulled back as investors consider F1H restructuring costs and those still to come in F2H, yet Patersons argues the decline is a buying opportunity. Patersons remains confident the bank can deliver on the cost savings proposed, while a disposal of a large chunk of its wealth-management unit will free up capital resources. It adds NAB's result was in the ball park of market expectations, though it concedes some investors won't like a patchy performance across main divisions. Shares are down 0.7%, while the other big banks are at least 0.6% higher. (robb.stewart@wsj.com; @RobbMStewart) 0415 GMT - Santos's sale of a bundle of Asian assets for US$221 million wasn't unexpected, but is about US$50 million lighter than Macquarie's valuation. It also excludes a 50% stake in the Ande Ande Lumut oil project off Indonesia, which the investment bank reckons will be sold separately. The proceeds will keep Santos well ahead of target on debt cutting, but Macquarie remains neutral on the stock given the continuing overhang of a takeover approach from Harbour Energy. Santos is up 0.3% today and 14% year-to-date. (robb.stewart@wsj.com; @RobbMStewart) 0231 GMT - National Australia Bank's F1H results were subdued, says UBS, with underlying revenue trends soft and deteriorating. And given the weaker-revenue outlook, the investment bank suggests the benefits of NAB's big restructuring efforts may be less than officials anticipate. UBS remains bearish on the stock, which is off 0.4% today after earlier dropping as much as 1.7%. (robb.stewart@wsj.com; @RobbMStewart) 0221 GMT - Australia's international trade data for March suggests that it will probably be one of the few major economies where GDP growth strengthened in 1Q, says Capital Economics. The rise in the trade surplus from A$1.4 billion to A$1.5 billion left it at the highest level in a year and the surpluses in the first two months of the year were revised up by a cumulative A$0.7 billion. CE says net exports may have added about 0.5 percentage points to GDP growth in 1Q. And the recent fall in the dollar to US$0.75 will provide a nice kick further ahead too, it adds. (james.glynn@wsj.com ; @JamesGlynnWSJ) 2159 ET - Housing affordability in Australia for new mortgage borrowers, measured as the proportion of household income needed to meet payments, has improved marginally the past year because lower interest rates and moderate income growth outpace higher home prices, says Moody's. It expects housing affordability to continue improving moderately because of recent softening of housing-market conditions, particularly in Sydney and to a lesser extent Melbourne. (james.glynn@wsj.com; @JamesGlynnWSJ) 0142 GMT - Esprit is pulling out of Down Under, closing 67 stores in Australia and New Zealand at an estimated cost of HK$200 million ($25.6 million). That will allow the apparel firm to focus on key Asia markets like China, Hong Kong, Taiwan and Singapore. It gave up its flagship store, located in the Hong Kong shopping district of Causeway Bay, 2 weeks ago. Shares are down 2.9% this morning, putting the year's plunge at 36%. (john.wu@wsj.com) 0128 GMT - While ASX logged a strong F3Q financial result, Morningstar continues to view the exchange operator's shares as overvalued. Up each day this week to A$61.40, the stock has greatly exceeded Morningstar's fresh A$48 fair-value estimate following a jump of about 33% the past two years, without any material improvement in the EPS growth outlook. The investment-research firm notes that has resulted in the price-earnings ratio expanding to about 25 times from 20, which it views as high relative to the historical mean. (robb.stewart@wsj.com; @RobbMStewart) 0118 GMT - Genworth Mortgage Insurance Australia's F1Q disappointed, yet its balance sheet remains sound and underpins plans for a share buyback program that Morningstar suggests could support higher dividend payments. The investment-research firm cuts its FY earnings forecast by 6.5% to A$100 million and trims the anticipated dividend payment by 6%, yet that does nothing to its A$2.80 fair-value estimate on the stock. Shares are down another 0.6% today at A$2.355, extending the 2018-to-date drop to 22%. (robb.stewart@wsj.com; @RobbMStewart) 0052 GMT - Amcor delivered a soft update on its operations, yet while near-term headwinds for the packaging company are lingering for longer than expected, Macquarie continues to view these as temporary and down to timing rather than structural. Indeed, the investment bank notes a weaker Aussie dollar is positive for Amcor, with 95% of sales outside Australia. And while it needs to get through FY18 first, Macquarie forecasts double digit EPS growth next year. Its target on the stock falls 2.5% to A$15.74; shares are down another 0.9% today at A$13.395. (robb.stewart@wsj.com; @RobbMStewart) 0052 GMT - Though National Australia Bank's F1H results were broadly in-line, underpinned by stable margins, Macquarie expects some peers to trim forecasts after NAB said expense growth is likely to pick up in 2H unless the top line can show some life. In general, Macquarie continues to see value in Australian bank stocks and in NAB at current levels, so it remains at outperform on the company. NAB is down 1.1%, cutting the week's jump to 2.3%. (robb.stewart@wsj.com; @RobbMStewart) 2011 ET - Recent data has show a renewed decline in Australian house prices and

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an easing in sales at auction. ANZ says renewed weakness in house prices is not something it has factored into its forecasts, which matters because of the impact that house prices have on household wealth and thus the household saving rate. ANZ says it is mindful that the housing market and consumer spending are the key downside domestic risks. A further easing of auction clearances would be a concerning development, it adds. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ) 1918 ET -- A strong expansion in Australian service sector activity was recorded at the start of 2Q, says CBA. Employment growth edged up to a seven-month high amid another month of marked new business growth. Greater staffing levels helped ease capacity pressures but also contributed to a rise in operating costs, encouraging firms to increase selling charges. Over all, business confidence remained firmly positive, it adds. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0553 GMT - Taiwan stocks have extend this week's pullback, helped today by noted pockets of weakness elsewhere in the region. The Taiex finished just off session lows in sliding 1% to 10514.18. Tech saw pain, with smaller semiconductor firm Alchip down 9.7% and BizLink skidding 7%. Hon Hai dropped 2% while smartphone-lens maker Largan, which has bounced strongly this week, eased 0.4%. (chester.yung@wsj.com; @chester_yung)

0546 GMT - With Hong Kong dollar deposit rates at fresh cycle highs, Nomura anticipates deposit competition intensifying among local banks. That as it admits the prime rate, the benchmark for mortgages, could rise by midyear. A quarter-point rate hike would boost net interest margin an average 3 basis points, Nomura estimates. But it sees Bank of China HK being able to double that thanks to what Nomura calls a proactive deposit-taking strategy and better pricing power on loans. (john.wu@wsj.com)

0535 GMT - Galaxy's midday release of strong 1Q numbers hasn't done anything to the No. 2 Macau casino operator's stock, which continues to track the broader market in trading down more than 1%. It logged a 9th-consecutive quarter of Ebitda growth, and met consensus with a 36% increase in the metric from a year earlier despite new competition. Management remains upbeat, saying its balance sheet is enough to support the company's development pipeline. Shares are up 12% this year. (john.wu@wsj.com)

0523 GMT - Aussie new-vehicle sales remain near record highs, says the Federal Chamber of Automotive Industries. Volume in the year through April rose 2.9% from the prior 12 months to 1.2 million units. Commsec chief economist Craig James says that highlights record-strong business conditions and improving vehicle affordability. (james.glynn@wsj.com; @JamesGlynnWSJ)

0519 GMT - New Zealand stocks were a standout today, along with Australia a safe spot amid broad declines--some rather large--in Asia. The NZX 50 rose 0.6% to 8546.88 to remain at their best level since late March and get close to that month's record high. A2 Milk and production partner Synlait each climbed some 1.5% more today, with the latter hitting a fresh record high. Ryman Healthcare also rose similarly while Comvita eased 0.7%, doubling the week's drop. (kevin.kingsbury@wsj.com; @kevinkingsbury)

0509 GMT - InvoCare Ltd. may be investing to grow, but investors are keen to start seeing some signs of that growth. Shares in the funeral-home operator are being sold off after a downgrade to FY18 earnings guidance, and Macquarie says the company's overhaul strategy--which is resulting in temporary refurbishment-related closures--is clearly causing some short-term pain. "We expect InvoCare will need to show delivery of 'Protect & Grow' targets (market share/ROIC growth) to drive a re-rating from here," says Macquarie. It keeps a A$12.71 target on the stock, which trades down 3.6% at A$11.70. (rhiannon.hoyle@wsj.com ; @RhiannonHoyle)

0506 GMT - Australia's trade surplus widened from A$1.3 billion in February to A$1.5 billion in March, the largest surplus in ten months. In the first three months of the year, there have been surpluses of over A$1 billion each month, a result not witnessed for a year, says St. George. Exports lifted 1.4% in March, which was the fifth consecutive monthly increase. Net exports are likely to contribute to growth in the March quarter, the bank adds. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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