

**Aussie Inflation Pressure Coming From Imports -- Market Talk**

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0404 GMT - Australian import prices rose by 2.1% in 1Q and were up by 2.3% on a year ago, the fastest annual growth rate in two years. Craig James, chief economist at Commsec says that in terms of implications for inflation, import prices are certainly worth watching. If externally-generated price pressures remain high, the annual rate of underlying inflation would be on course soon for 2.5% in the coming year, he says. (james.glynn@wsj.com ; @JamesglynnWSJ)

0341 GMT - Profit growth at China's state-owned enterprises slowed in March amid softening prices of industrial goods. The Ministry of Finance says earnings rose 17% in 1Q, versus 25% for just January and February, and revenue increases also decelerated. The trend matches with economic datapoints released earlier this month. Income at China's state companies, which are composed of many industrial firms, increased rapidly last year thanks to a resurgence of producer prices. (grace.zhu@wsj.com)

0338 GMT - Australian Treasurer Scott Morrison has confirmed government tax revenues have been bolstered by strength in the underlying economy, record business conditions and strong rise in employment. Tax receipts until February were running A\$4.8 billion higher than estimated in December, including A\$1.2 billion in higher individual tax receipts and A\$3 billion in higher company tax receipts, he says. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0334 GMT - Being a bond trader in India is tough nowadays. Government-bond yields have been moving up and down some 5-15 basis points, versus the typical 2-5bp. An absence of key buyers, the country's state-run banks, has worsened the volatile situation that been mostly caused by inconsistent communication from India's central bank and government. Corporate bonds are suffering, too, due to widening bid-ask spreads and the introduction of a new electronic-bidding system. "We walk in the office wondering if we would be in or out of money at the end of day," said a trader with a private bank in Mumbai. Frequent bond issuers such as Sidbi and Nabard have also faced cancellations. (manju.dalal@wsj.com; @manjudalalsg)

0250 GMT - Nomura economists say South Korea's stronger 1Q GDP backs why the central bank should raise interest rates later this year. Today's report showed a broad-based recovery, they note, with government spending, investment and exports all improving. While private-consumption growth moderated, that came after noted 4Q strength, Nomura adds. The Bank of Korea did its first rate hike since 2011 in November. Meanwhile, Capital Economics remains sanguine about South Korea's near term economic outlook. It says momentum should continue to hold up in coming quarters, "supported by a turnaround in the tourism sector, robust global demand and supportive fiscal policy." (kwanwoo.jun@wsj.com and chester.yung@wsj.com)

0220 GMT - At its weakest levels in more than a year of late versus the dollar, pressure is set to persist against India's rupee as foreigners continue to sell the country's assets, says ING economist Prakash Sakpal. Foreigners have sold some \$2.1 billion of Indian stocks and bonds so far this month, versus the \$1.2 billion of net inflows in March. Also pressuring the currency has been rising concerns about India's widening trade deficit as oil prices are at 3 1/2-year highs. "We anticipate no near-term respite from the outflow of confidence-sensitive capital from India," says Sakpal. The rupee is the second-worst performing currency in Asia this year after the Philippine peso. (kenan.machado@wsj.com)

0203 GMT - Sydney house prices continue to weaken. According to Domain Group's 1Q house price report, Sydney prices dropped 2.6% over the quarter, their biggest slide since 2015. The retreat comes as tighter mortgage lending restrictions continue to hit property investors. The data is likely to be welcomed by the RBA, which has been concerned about rising mortgage debt at a time of flat wages growth. Housing market conditions remains a key focus of the central bank. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0146 GMT - Australia's export price index rose 4.9% in 1Q versus 4Q17, boosted by solid commodity prices, according to the ABS. Metalliferous ores and metal scrap prices rose 6.1% on-quarter, driven mainly by rises in iron ore as Chinese manufacturers continued to build stockpiles, it says. Prices for coal, coke and briquettes rose 6.5%, reflecting demand from China as well as local supply disruptions. Gas, natural and manufactured, rose 13.8%, in response to strong demand for LNG in northern Asia for heating. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0124 GMT - The PBoC again reverses itself, guiding the yuan down 0.3% against the dollar after fresh gains for the greenback Wednesday. Today's daily trading midpoint was set at CNY6.3283, the weakest in a month, versus yesterday's strengthening to CNY6.3066. The dollar finished onshore trading in China Wednesday at CNY6.3204. (kenan.machado@wsj.com)

0059 GMT - Australia's banking regulator (APRA) has announced the removal of a 10% cap on investor mortgage loan growth, and replaced it with more permanent measures to strengthen lending standards. The cap, in place since 2014 was part of a range of actions to reduce higher risk lending. APRA Chairman Wayne Byres says the temporary benchmark on investor loan growth has served its purpose. Lending growth has moderated, standards have lifted and oversight has improved, he says. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0040 GMT - Propelled by further overnight gains in US Treasury yields, they're also up this morning across long-term Japanese debt. "We believe the technical correction in the super-long zone is only about half-complete," says Naka Matsuzawa, chief rates strategist with Nomura Securities. Demand has shifted to that sector since the BoJ in September 2016 introduced the so-called yield-curve control where it wanted 10-year JGB yields to be around zero. Matsuzawa says "fair value" is around 0.85%, but yields are at 0.755% even with today's 1.5-basis-point increase. Twenties are up the same at 0.55% while yields on 10s have risen a pip to 0.065%. (suryatapa.bhattacharya@wsj.com)

2153 GMT - Qualcomm Inc.'s pending acquisition of NXP Semiconductors NV was a focus of analyst questions on the chip maker's second-quarter conference call. The deal, initiated in late 2016, has been held up in regulatory review with China's Ministry of Commerce, or Mofcom. The company is "optimistic about getting the necessary regulatory approvals there," said CEO Steve Mollenkopf. But "the environment is obviously quite difficult from a geopolitical point of view, at least right now." He added, "I think the issue is probably more related to the higher level discussions between the countries as opposed to any individual issue related to MOFCOM." The companies recently extended the deadline for completing the deal to July 25. Mr. Mollenkopf didn't definitively say that deadline would be final, but he did say "both companies are moving toward that timeline." Ted Greenwald (ted.greenwald@wsj.com)

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