

HD S&P/ASX 200 Expected to Open Weaker; Macquarie Outlook, HSBC PMI in Focus -- Market Talk

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2257 GMT [Dow Jones] Australia's S&P/ASX 200 is likely to open down 0.6% at 5304, according to IG, with lingering caution about Ukraine, along with potential month-end selling by fund managers expected to magnify the damping effect of Friday's 0.3% fall in the S&P 500. On the charts, a double-top pattern is targeting 5220 while the index remains below last week's high at 5362.2. Additional caution is likely in the resources sector before the 0145 GMT release of HSBC's **China** flash manufacturing PMI data, which is expected to show continued weakness. Macquarie (MQG.AU) may outperform after upgrading its annual profit guidance after better market conditions helped its fixed-income, currencies and commodities unit. It now expects FY14 net profit to be a 40%-45% above FY13 profit of A\$851 **million**. Previous guidance wasn't specific. The index closed Friday at 5338.1. (david.rogers@wsj.com)

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2248 GMT [Dow Jones] Asia's financial system is on track to be bigger than that of the U.S. and Europe combined by 2030, Australia & New Zealand Banking forecasts in a report released Monday. **China** is central to this Asian Century scenario, with ANZ Chief Economist Warren Hogan saying **Chinese** foreign direct investment could rise to around US\$9.5 trillion by 2030 from around US\$500 **billion** in 2012, with that investment increasingly favoring Asia Pacific markets. The lender predicts Asian bond markets, excluding Japan, are set to grow by six times their current size over the next 15 years to match the size of U.S. debt markets. Equity market capitalization in the region also is set to jump, to almost US\$55 trillion by 2030 from US\$9 trillion. **China** will account for about half of Asia's financial assets by 2050, and the yuan will dominate in the region and become a genuine rival to the U.S. dollar as a reserve currency, ANZ's report says. (robb.stewart@wsj.com)

2235 GMT [Dow Jones] Asian stock markets are likely to tread sideways ahead of HSBC's **China** flash PMI for March "and that will likely dictate the tone," says Brad Gordon, investment advisor at Macquarie Equities in New Zealand. Locally, the NZX-50 is up 0.3% at 5141.231, paring some of Friday's losses after a series of index changes. Kathmandu (KMD.NZ) is up 7.8% at NZ\$3.60 after a better-than-expected 1H result. Gordon says investors will be watching for results from **dairy** giant Fonterra Co-Operative **Group** (FCG.NZ) and Synlait **Milk** (SML.NZ) later in the week. (rebecca.howard@wsj.com; @FarroHoward)

2213 GMT [Dow Jones] Iron-ore prices look set for a lift, but any strengthening in the market is likely to be short-lived, says Caroline Bain, an economist at Capital Economics. She sees prices for the steelmaking ingredient rising heading into 2Q, "a time of seasonal strength in **China**'s steel output." However, "a surge in new low-cost supply this year and slower growth in **China**'s demand suggests that prices will fall in the second half," she says. Capital Economics has downgraded its price forecasts for the raw material, tipping the market to fall to US\$95 a ton by the end of the year, down from a prior forecast of US\$110 a ton. It expects a price of US\$85 a ton by the end of 2015, down from a previous estimate of US\$90 a ton. Prices for 62% Fe iron-ore fines at **China**'s Tianjin port traded unchanged at US\$110.70 a ton Friday. (rhiannon.hoyle@wsj.com)

2205 GMT [Dow Jones] Spot iron ore prices are likely to rise in coming months before falling in 2H 2014, according to Credit Suisse analysts. They note that while **China**'s ports recently increased their iron ore

stockpiles to fresh record highs, **China**'s steel mills have reduced their stockpiles. "On the basis of low mill stocks, it looks likely to us that the next move for the iron ore price will be upwards, provided steel production picks up from February lows," Credit Suisse analysts say. But iron-ore supply continues to rise, and "very high crude steel growth of greater than 7% will be needed to prevent the surplus from weakening the iron ore price into the second half, in line with Credit Suisse forecasts." The benchmark spot iron ore price remained at US\$110.70 on Friday. (david.rogers@wsj.com)

1958 GMT [Dow Jones] The health of the **Chinese** and U.S. economies is of great interest to markets at present and the main focus for Asian FX markets Monday will be HSBC's **China** March PMI, says ANZ Bank. It notes the index fell to a seven-month low last month--its third straight decline--"but the market is anticipating the deterioration has done its dash." Later in the global trading day the U.S. Markit PMI is expected to remain solid at 57. ANZ Bank notes the Fed "put its **stake** in the ground that the recent weakness in the dataflow was weather-related." This data will be "another part of the puzzle," ANZ Bank says. The EUR/USD is at 1.3795 early in New Zealand while the USD/JPY is at 102.134. (rebecca.howard@wsj.com @FarroHoward)

1914 GMT [Dow Jones] The NZD/USD remains well supported at 0.8549 early in New Zealand with near-term support at 0.8500 and near-term resistance at 0.8640, says BNZ FX Strategist Kymberly Martin. She expects a fairly quiet start to the week domestically, with no scheduled data releases Monday or Tuesday. The main event for the Kiwi will be HSBC's **China** flash PMI for March. "As markets are highly focused on **China** risk they will not be prepared to absorb any disappointment," she says. A better-than-expected result would support both the NZD and the AUD independently, she says. (rebecca.howard@wsj.com @FarroHoward)

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