

HD Australian Dollar Is Both a Yield and Safe-Haven Bet -- Market Talk

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Contact us in Singapore. 65 64154 140; MarketTalk@dowjones.com

0117 GMT [Dow Jones] The Ukraine crisis is weakening the performance of Russia and Eastern European markets; however, there has been little contagion to Asian markets, says Greg Gibbs, senior currency strategist at RBS. Yield-related demand is also high. It may be argued that the Australian dollar is benefiting from both yield demand and safe-haven flows at the moment, Gibbs says. Moreover, the Australian economy is showing strength. Non-mining investment has grown more than the RBA appears to have predicted, he added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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0058 GMT [Dow Jones] USD/KRW rises toward the top of the daily Bollinger downtrend channel which caps at 1,017 as safe-haven assets received a boost overnight due to the alleged incursion of Russian troops into Ukraine, upping the potential for intervention by the U.S. The technical downtrend for USD/KRW may be extinguished on a Friday close above 1,017, in which case short-covering could accelerate USD/KRW toward the daily Ichimoku Cloud resistance zone at 1,022. South Korea's July industrial production rose by 3.4% on year versus expectations for 2.7% increase, but a survey of manufacturers showed a dimmer outlook for the future. USD/KRW is now 1,016.1 vs its Thursday close of 1,014.4. (ewen.chew@wsj.com)

0045 GMT [Dow Jones] The Australian dollar continues to defy falling commodity prices, including a move this week in the iron price to a two-year low, says Sean Callow, currency strategist at Westpac. He says that while the strength will not be sustained, "it is hard to make the case for a sudden revival of commodity-related jitters in the currency in the week ahead." Data next week might well prove positive, especially given that expectations for 2Q GDP are for a flat result, which sets a "low bar." Reserve Bank of Australia Governor Glenn Stevens also might be entitled to be a little more optimistic in his speech on Wednesday in Adelaide, given the solid 2Q business investment survey released Thursday. Callow says dips under US\$0.9300 by the Aussie seem likely to draw increasingly solid demand, with a US\$0.9400 handle now seeming possible. Pair now US\$0.9350. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0037 GMT [Dow Jones] South Korea's solid July factory output will likely ease--though not completely remove--pressure on the Bank of Korea to lower its policy rate further following a rate cut in August, says Tongyang Securities economist Lee Chul-hee. The data pointing to a steady economic recovery tell the BOK to "wait and see" for a while, but the BOK is still under huge pressure for a further rate cut from the pro-growth government and local exporters fighting the rising won, Lee notes. He expects the BOK to stand pat on rates in the next few months before cutting in November. Output in July gains a seasonally adjusted 1.1% from a month earlier, the second straight monthly expansion. On a year-on-year basis, it grows 3.4% in July. The data are above market expectations for 0.3% on-month growth and 2.7% on-year expansion. (kwanwoo.jun@wsj.com)

0029 GMT [Dow Jones] Softer-than-expected Japan data for July raise uncomfortable questions for Prime Minister Shinzo Abe and Bank of Japan Gov. Haruhiko Kuroda. Abe must decide by the end of the year whether to go forward with another increase in the sales tax. That decision rests in part on how well the economy absorbed the most recent rise in April. Weak figures for household spending and retail

sales suggest spending hasn't recovered as hoped. Consumer-price data shows core inflation at 1.3%--in line with the BOJ forecast. But a rise in unemployment for the second consecutive month may challenge Kuroda's vision a tightening labor market will push inflation to his 2% target next year. Friday's data likely won't alter BOJ policy but continued underperformance might. (jacob.schlesinger@wsj.com)

2303 GMT [Dow Jones] J.P. Morgan flags concerns around Retail Food Group's (RFG.AU) network sales growth for its Quick Service Restaurant division, which appears to be slowing when FY14 like-for-like sales are compared to FY13. The broker notes that network sales in FY13 were A\$158.3 million, even though Pizza Capers and the Crust pizza chain didn't contribute a full year of sales as they were acquired during the year. "Over 12 months in FY14, Quick Service Restaurants has contributed A\$200.2 million network sales, which looks light," J.P.Morgan says. The broker adds that Retail Food fell 13 stores short of its target of 355 outlets by FY14. J.P.Morgan, which rates Retail Food at underweight, lifts its price target by 7.3% to A\$4.40. RFG last traded at A\$4.65. (david.winning@wsj.com; @dwinningWSJ)

2250 GMT [Dow Jones] -- New Zealand's NZX-50 has opened 0.2% lower at 5227.801 and Asian markets are likely to follow suit, says Forsyth Barr investment adviser Dave Schaper. "The U.S. was off overnight and that's flowing through," he says. Fletcher Building (FBU.NZ) is down 0.4% at NZ\$9.25 while Spark (SPK.NZ) is down 0.2% at NZ\$2.94. He says the New Zealand and Australian markets are digesting company reports. In New Zealand results have been largely positive with "more meeting and exceeding expectations rather than missing them," he says. He notes, however, the guidance has been fairly thin "so the question is where do we go from here." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

18:08 EDT - States and localities will be on the losing end when regulators meet next week to complete new rules aimed at ensuring banks have enough cash to operate during a crisis, but that may not be the last word on the matter. Though the final rule won't include bank holdings of municipal bonds, the Fed is weighing whether to amend the provisions in the coming months to allow certain highly traded municipal debt to count as part of the rule -- a positive development for the \$3.7T municipal bond market. (andrew.ackerman@wsj.com; @amacker)

17:29 EDT - President Barack Obama says 2Q GDP numbers show companies are investing and consumers are spending but calls on lawmakers to take further steps to spur growth and hiring. "So there are reasons to feel good about the direction we're headed. But as everybody knows, there is a lot more that we should be doing to make sure that all Americans benefit from the progress that we've made, and I'm going to be pushing Congress hard to this when they return next week." A divided Congress, though, likely means little in the way of new economic policies. (jeffrey.sparshott@wsj.com)

17:16 EDT - BMO Capital Markets says American companies increased nonresidential investment by 8.4% annualized in 2Q and 6.4% in the past year. "By contrast, Canadian business investment has fallen about 1% y/y to Q1, and in three of the past four quarters," firm says. It adds the divergence cuts across three major spending areas of equipment, structures and intellectual property. Canadian firms appear to be waiting for the export train to leave the station--and BMO thinks it likely did in 2Q--before cracking open their wallets. (don.curren@wsj.com; @dbcurren)

16:57 EDT - For investors waiting for tensions between Russia and Ukraine to ease, Benoit Anne of SocGen has a stark message: "Short of a miracle, that crisis is going to stay with us for much longer." He recommends staying away from any emerging-market assets that could suffer from a worsening Russian economy, including the Russian ruble, Polish zloty and Turkish lira. It seems like investors are already taking shelter in Asia, especially in India and Indonesia. The geopolitical risks have already sparked \$7.3B in outflows from Eastern Europe in August, while investors poured \$9.7B into Asia in that time. (nicole.hong@wsj.com)

2057 GMT - a2 Milk Company (ATM.NZ) offers investors "leverage into the expanding global dairy market through a differentiated, premium product range, including high barriers to entry on the back of a strong suite of intellectual property," says Forsyth Barr Analyst James Bascand. He notes the company's result was in line with consensus but "analysis of operational performance is challenging in the absence of further disclosure." He notes while downside risk exists to our U.K. and China estimates "Australian operations continue to underpin robust cash flows." He retains an outperform rating on the stock. (rebecca.howard@wsj.com; @FarroHoward)

(END) Dow Jones Newswires

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