DOW JONES NEWSWIRES

HD **Avalanche of Aussie Long Position Teeter, Says FXCM -- Market Talk**

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0112 GMT [Dow Jones] Recent local data and rhetoric from the Reserve Bank reinforces the prospect that rates will remain on hold over the near-term. Yet, the greatest risk posed to the Aussie is not from a shift in RBA policy expectations and a waning of its interest rate advantage, but rather the looming return of general market volatility, said David de Ferranti, market analyst at FXCM. "A persistent surge in expectations for large swings amongst the major currencies would make the Aussie's relatively small yield advantage a much less attractive, and riskier, proposition," he added. The risk is that the door may open to a mass exodus from carry trades that had built on anticipation of a sustained lull in market activity, he said. It will be difficult for the Aussie to recover back above the US$0.9200 level, which is significant from a technical standpoint. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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Editor:  KLH
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0110 GMT [Dow Jones] The ramifications of a successful Scottish independence vote this week will be huge, not just for Scotland but also for the rest of the United Kingdom, says Stephen Walters, chief economist at JP Morgan, Australia. "Uncertainty will be with us for the next couple of years as the terms of the separation are negotiated," he adds. Every aspect of separation--the monetary regime, the division of assets and liabilities, and Scotland's EU membership--remains unclear, Walters says. "Should it pass, uncertainty would depress growth in the U.K. for a number of quarters, delay the beginning of monetary policy normalization, and depress asset prices including the currency," he says. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

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Editor JSM
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0103 GMT [Dow Jones] Local data will likely take a back seat to politics in New Zealand this week, with the general election taking place Saturday, says ASB Bank Chief Economist Nick Tuffley. "The result will be the main influence on markets late this week, and early next week. If there's one thing financial markets never like, it is uncertainty," says Tuffley. He said a clear-cut result would have the least impact on the NZD and interest rates. "In contrast, any situation where it is unclear who can or will form the next government would likely weigh on the NZD early next week." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

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Editor:  MNG
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0103 GMT [Dow Jones] Risks remain for PanAust (PNA.AU) investors that Guangdong Rising Assets Management won't formalize its indicative A$2.30/share takeover bid for the **copper**, **gold** and silver miner, says JP Morgan, which keeps a neutral recommendation despite the shares currently trading below the bid price, at A$2.09. PanAust will issue a third-quarter production report next month, by which time it expects discussions with Guangdong Rising or other potential suitors to have advanced significantly. "Whilst not a definitive line in the sand, we believe it is a positive in terms of signaling the process is drawing closer to a definitive conclusion," the broker says. (Ross.Kelly@wsj.com)

Editor JSM

0058 GMT [Dow Jones] The New Zealand economic recovery cycle has peaked and "economic growth will moderate but remain positive," according to the latest consensus forecasts from the NZ Institute of Economic Research. The forecasts are an average compiled from a survey of financial and economy agencies. According to the forecasts, economic growth will moderate from 3.3% in the March 2015 year to 2.9% and 2.2% in the following two years. It will grow 1.9% in 2018. Inflation is tipped to rise from 1.6% in 2015 to 2.2% in 2018--still comfortably within the central bank's 1% to 3% target band. Interest rates "will eventually rise." The floating mortgage rate is currently around 6.75% and could rise to 8.0% by early 2018, according to the consensus forecasts. They also indicated NZD will "gradually ease" from its current highs in 2015 but "the level remains high compared to history." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0055 GMT [Dow Jones] Australia's S&P/ASX 200 falls 1% to a 5-week low of 5478.2, on track for its biggest fall in 5 weeks, after weak **Chinese** economic data and a further selloff in U.S. **bonds** and equities ahead of Wednesdays' FOMC meeting. "There are hopes of further stimulus by **China**'s Government, but **China** is constrained by a need to rebalance its economy away from property and credit-fuelled growth," CMC chief market strategist Ric Spooner says. "While weaker than expected data from **China** will have investors cautious about resource stocks, a falling A$ could easily see ongoing weakness in the banks as offshore investors head for the exits...there may also be some concern about the implications...for the broader Australian economy." **China** growth concern comes as the market is already suffering from rising U.S. bond yields as QE ends and the Fed moves closer to interest rate hikes. Among high-yield equities, major banks, Telstra (TLS.AU) and Transurban (TCL.AU) fall 0.9%-1.2%. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

Editor: MNG

0005 GMT [Dow Jones] Australia's S&P/ASX 200 remains vulnerable before the FOMC meeting concludes Wednesday, with the S&P 500 down 0.6% on Friday. High-yield equities are likely to stay under pressure after U.S. 10-year bond yields rose 5 basis points to 2.61% as improving U.S. retail sales and consumer confidence fuelled expectations that the Fed could emphasise the strengthening economy, as a precursor to an earlier-than-expected interest rate increase. Materials stocks could also be vulnerable after **China**'s industrial production, retail sales and fixed assets investment data missed expectations over the weekend. Smaller **iron ore mining** companies may be weighed down by expectations of **equity** capital raising, with Arrium (ARI.AU) trading halted before a A$754 **million** raising. However, offshore income earners may outperform after the Australian dollar dived to a 6-month low of 0.9003. Index last 5524.1. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2341 GMT [Dow Jones] The most contentious issue for markets is the currency arrangement for Scotland if they were to become independent, says Harbour Asset Management in Wellington in a morning report. The latest polls suggest the "yes" campaign is just behind in the polls "creating the real chance of an upset result that ends the United Kingdom's 300 years of political union." It notes GBP would be the first source of volatility on any Scottish news and a "yes" vote "could spark a run on Scottish based banks, as depositors seek to resolve uncertainty by relocating their funds south of the border." This has the "scope to temporarily disrupt the global interbank funding markets." While a surprise win by the "yes" campaign "may trigger an immediate flight to safety and spike in global market volatility, a successful package of transition measures could make this a more manageable wobble for markets," it adds. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2336 GMT[Dow Jones] Westpac Bank expects New Zealand's 2Q GDP growth to slow to 0.7% after three straight quarters of growth of 1% or more. "High-level economic indicators such as **business** confidence have softened since the start of the year, but only to levels that are more consistent with trend growth," it says. It adds that the softening has largely been in the export-oriented primary sectors with falling **dairy** and log prices prompting a drop in production. On the flip side, growth in domestically-oriented sectors remained robust, it says. The median of a poll of 10 economists is for 2Q GDP to be +0.6% and 3.8% on the year. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2313 GMT [Dow Jones] Nymex crude is likely to trade in a lower range near term after hitting a three-session high of $93.67/bbl on Friday but settling down 56 cents at $92.27/bbl, Dow Jones technical analysis shows. The daily continuation chart is mixed as the five- and 15-day moving averages are declining, but the daily slow stochastic indicator is bullish. Support is at $90.43 (16-month low hit on Thursday); a breach would target $90.11 (May 1, 2013, reaction low), then the psychological $90.00 line, $87.55 (April 22, 2013, low) and $85.61 (April 18, 2013, swing low). But a rise above the $93.67

resistance would tilt the near-term view positive, targeting $93.94 (Tuesday's high, near the middle 20-day Bollinger Band), then $94.99 (Sept. 5 high), $95.39 (Sept. 4 high), $95.83 (Sept. 3 high) and $96.00 (Aug. 29 high). October crude is down 47 cents at $91.80/bbl on Globex. (jerry.tan@wsj.com)

2243 GMT [Dow Jones] Don't discount the prospect of Australian central bank interest rate cuts just yet, says Credit-Suisse **equity** strategist Hasan Tevfik. He lists many reasons to be cautious about consumer demand, among them are falling real wages; fragility in the job market expressed through a preference to hire part-time workers; and cost-of-living increases. He expects to see the cost-of-living squeeze weigh on consumer spending, dragging aggregate demand growth lower. "More policy stimulus is necessary. We expect to see policy makers downgrade their growth and inflation forecasts. The RBA is likely to cut rates further, in our view," he added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2246 GMT [Dow Jones] Europe's Brent **oil** benchmark prices could end the year higher, according to a survey of **energy** investors by International Strategy & Investment **Group** LLC, but U.S. West Texas crude prices aren't expected to move much. Nearly 59% of respondents thought a barrel of Brent **oil** would end 2014 between $100 and $110 a barrel; on Friday, it closed at a 52-week low of $97.11 a barrel. By comparison. 52% of respondents believed U.S. West Texas benchmark crude would end the year between $90 and $95 a barrel; it closed on Friday at $92.27 a barrel. A plurality of respondents (42.7%) predicted U.S. natural gas prices would be between $4 and $4.50 per **million** British thermal units in 2016. It closed at $3.86 per **million** BTUs on Friday.(russell.**gold**@wsj.com;@russellgold)

(END) Dow Jones Newswires

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