

HD **Palladium: Too Soon to Bet on End of Miners Strike -- Market Talk**

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0858 GMT [Dow Jones] Palladium prices have come off highs this week amid hopes of an end to a nearly five-month-long miners strike in South Africa, but the deal is far from concluded. "It does seem that real progress has been made, but it is worth stressing no agreement has been signed yet and there remain some potential stumbling blocks," says a report by Macquarie Research. **Mining** companies and union officials in South Africa tentatively agreed on a proposal Thursday to end the strike that has disrupted production of both palladium and platinum. Though broad consent has been reached, a wage agreement with workers is not yet universal, adds Macquarie. Spot palladium prices are marginally up at \$822.75 an ounce. (biman.mukherji@wsj.com)

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0852 GMT [Dow Jones] RBS recommends investors stay long SEK rates as the market is still some 20 basis points shy of discounting a policy rate of 0.25% later this year. Swedish inflation data this week confirmed the disinflationary trend, where a 25 basis point rate cut in July is "now a done deal," says RBS. However, RBS doesn't think that the Riksbank will stop there. "Rather, we see the policy rate being cut all the way to 0.25% before the end of the year, and we do not exclude the possibility of a Swedish QE after that." RBS adds it favors five-year Swedish **bonds** versus 5-year Euro and UK peers. (emese.bartha@wsj.com)

0846 GMT [Dow Jones] The U.S. bank's rate strategists expect a strong rise in U.S. yield's by year end, which they say will **lead** to higher global funding costs and is a major risk to the current low-volatility environment. A yield-driven rise in volatility will likely see portfolios being adjusted to reflect this changing risk environment, which the bank says would suggest USD and JPY strength. Combine this scenario with the disinflationary/deflationary theme developing in Europe (UK not included here) where central banks will maintain extremely loose policy and the likes of SEK, EUR and CHF are looking extremely vulnerable. To position for this the bank adds a basket of short SEK, EUR and CHF vs long USD and JPY to its medium-term strategic portfolio. (gary.stride@wsj.com)

0846 GMT [Dow Jones]-- The Bank of England looks most likely to raise interest rates in November, Derek Halpenny, European head of currency research at Bank of Tokyo-Mitsubishi UFJ says. "The comment from Governor Carney last night that a rate increase "could happen sooner than markets currently expect" was as direct as you can get, and, given that the markets were already mostly priced for a first quarter of 2015 first rate increase, the likely consequence of this comment is that expectations of a fourth quarter 2014 will now increase notably," he writes, adding that "a November rate hike now seems the most plausible scenario". (josie.cox@wsj.com)

0843 GMT [Dow Jones]--Selling 5yr sterling versus 5yr euros looks more attractive after BOE Governor Mark Carney said Thursday that UK rates might rise sooner than market expects. "He also said that rises will be gradual, and data-dependent, but the qualifications won't matter to a market which prices a slow pace of rises, starting next year," says Kit Juckes at Societe Generale. While GBP/USD is approaching 1.70, he thinks this will be the top level to be tested. "EUR/GBP has broken through 0.80 and looking at how EUR/GBP and GBP/USD trade relative to rate differentials, EUR/GBP shorts are the more

appealing trade. And the contrast between ECB and MPC is incredibly striking," he adds.
(chiara.albanese@wsj.com @chiaraalbanese)

0834 GMT [Dow Jones] Taiwan government **bonds** are mostly steady after a new 10-year bond auction, says a local trader. The cut-off yield of the NT\$40 **billion** 10-year bond comes at 1.5530%, within market expectations of between 1.5300% and 1.5700%. But the trader says total bids at the auction decrease while local brokerages turn more conservative in bidding for the new bond, suggesting weaker investor sentiment in the near term. Local **bonds** are expected to track U.S. Treasuries ahead of the FOMC meeting next week, he adds. The most-traded 10-year bond yield is unchanged at 1.5520% from Thursday; the trader tips the yield to consolidate between 1.5300% and 1.5700% on Monday.
(fanny.liu@wsj.com)

0827 GMT [Dow Jones] As the markets slow during the World Cup season, analysts turn themselves into football pundits making calls on who will win the tournament. Goldman Sachs said the host and top favorite Brazil will be the champion for the sixth time while Deutsche Bank said underdog England will lift the trophy again after winning it 48 years ago in its homeland. Macquarie chooses the middle road and predicts three-time champion Germany as the winner, with reigning champion Spain as the runner-up; "Macquarie Quant has a strong tradition of extending our quantitative skills into sport," it says. And their choices aren't too far away from those of football experts - Germany and Spain are strongly endorsed by the legendary footballer Pele. (jacky.wong@wsj.com; Twitter: @jackycwong)

0824 GMT [Dow Jones] HKT Trust (6823.HK), a subsidiary of **Hong Kong** fixed-line telecom **company** PCCW Ltd, closed down 4.3% at HK\$8.25 after it announced plans to raise about HK\$7.9 **billion** (US\$1 **billion**) in a rights issue to pay down its own debt. Macquarie says it expects the net proceeds will be applied to reduce the existing indebtedness of the **company**, post its recent **acquisition** of CSL Ltd. HKT Trust bought out **Hong Kong** mobile phone operator CSL (CSL.AU) from Australia's Telstra Corp in a \$2.43 **billion** deal in May. "We believe the latest announced right issue should remove the overhang related to financing of the CSL **acquisition**," says Macquarie. The house estimates the maximum EPS dilution from the right issue exercise is around 15%. (yvonne.lee@wsj.com)

0823 GMT [Dow Jones] **Hong Kong** equities touch their highest level all year as the soaring price of **oil** boosts **energy** stocks and better-than-expected retail sales lift mall owners. The Hang Seng Index closes up 0.6% at 23319.17 Friday, ending the week up 1.6% and just 20 points below the benchmark's six-month high. **Energy** firms **lead** gains as violence in Iraq sends Brent crude futures to a nine-month high of US\$114.07 per barrel. **China's** retail sales data for May -- "with a positive surprise for a change" in Nordea's view -- prompts a rally in **Hong Kong**-listed mall owners. Wharf Holdings rises 3.1% to HK\$57.55, the biggest intraday gain in a month. Enough traders crawl into the office to boost volumes to HK\$50.7 **billion**, the highest in three days - even after a 4 a.m. kick-off for those watching Brazil's 3-1 victory over Croatia. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0823 GMT [Dow Jones] The overnight surge higher in GBP/USD was lacking in volume says the UK clearer, which for now is taking a cautiously bullish approach. The bank's immediate focus is on the psychological 1.70 print, and then the 2009 peak of 1.7045, only a daily close above the latter on strong volumes would suggest gains toward 1.73 will be seen. Now at 1.6980, Barclays pegs support at 1.6920.
(gary.stride@wsj.com)

0822 GMT [Dow Jones]--During a speech Thursday evening, BOE Governor Mark Carney said UK rates could be hiked sooner than expected. But "how soon is 'sooner' remains to be seen," says Geoffrey Yu at UBS. "At present markets are still expecting a move around Q2 next year, with exact timing also originally somewhat complicated by the political calendar," he says. A rate hike 'sooner' than this expectation would allow the BOE to steer well clear of the electoral cycle. On the macroeconomic front, Mr. Yu adds, it is also possible that upcoming BOE reviews will herald a change in either the bank's view on economic slack, or the speed at which it is being closed. (chiara.albanese@wsj.com @chiaraalbanese)

0820 GMT ("Dutch Retail Sales Signal Recovery -- Market Talk," at 0757 GMT, incorrectly said that April retail sales rose for the 4th straight month. The correct version follows:) Dutch retail sales rose in April by 3.4%, marking the highest increase since November 2010, according to statistics bureau CBS. The figures, fueled by strong Easter sales, suggest that Dutch households are slowly becoming more positive after years of falling house prices and government austerity. (maarten.vantartwijk@wsj.com)

(END) Dow Jones Newswires

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