

HD **Low Australian Rates Give Boost to Housing -- Market Talk**

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0326 GMT [Dow Jones] Australian 2Q construction data provide a reminder of the large and opposing forces that are at work on the economy, says Shane Lee, economist at CIMB. The central bank's record low rates setting "is clearly gaining traction with the housing sector" with the construction report showing **residential** construction work done rose by 2.2% in the quarter following the strong 7.3% gain in the first quarter. However, the downturn in engineering construction now has considerable momentum, Lee added. The central bank "would be pleased that **residential** construction is stepping up as intended," he added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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0322 GMT [Dow Jones] Asian junk bond trading is being stirred up by **Chinese property** developers' upbeat earnings, said Lucror Analytics. Stripping out Guangzhou R&F (2777.HK), which reported disappointing first-half results, most real **estate** companies have posted solid profits and excited investors. Lucror recommends buying Agile **Property's** (3383.HK) 5-year bond, as it released "decent" results in light of higher revenues and sales despite a weak market backdrop. Its recommendation for Evergrande's (3333.HK) bonds is "hold". While the **company** has strong revenue growth, the financial profile has weakened with a substantial increase in short term debt. Elsewhere in the region, "the tone was constructive with **Chinese** industrial, Indonesian, and Indian names well traded." (fiona.law@wsj.com)

0314 GMT [Dow Jones] A 1.2% fall in the value of Australian construction work done in the second quarter compared with the first has put a dent in expectations for GDP growth forecasts. Adam Boyton, chief economist at Deutsche Bank said there are now downside risks to his call for GDP growth of just 0.5% in the quarter, to be reported in a week's time. The main downside concern was a big fall in private engineering construction, where Boyton had expected a gain. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0308 GMT [Dow Jones] The Nikkei is nearly flat midday, up just 4.73 points at 15525.95 as the dollar rebound begins to soften (USD/JPY 104.02). "In the absence of overall trading cues, investors are focusing on individual motives to **buy** and sell," says an equity trading director at a European brokerage. General contractors continue to gain, following a sharp Tuesday sector rally on the back of a Nomura Securities upgrade on Kajima (1812.TO). Wednesday, the **group** is benefiting from individual investor buying on hopes for next month's maglev bullet train job construction kick-off. Kajima is up 2.3% at Y538. Marine shippers are also higher, with Kawasaki Kisen (9107.TO) up 3.7% at Y252 following a Nikkei report that it will seek to more than double its ROE to 10%. (bradford.frischkorn@wsj.com)

0306 GMT [Dow Jones] The Reserve Bank of Australia's desire for a lower Australian dollar is not surprising, says Su-Lin Ong, Head of Strategy at RBC Capital Markets, Australia. "The alternative hints at lower national income and living standards," she adds. Lost external competitiveness resulting from the high currency, which is 20% above its long term average, means wages must fall to compensate, she said. The environment supports Ong's expectation of falling national income, sub par consumption, and a lower-for-longer central bank narrative regarding interest rates. The risk is that rigidities in the labor

market prevent meaningful competitiveness gains, pushing the unemployment rate higher, she added. "That would keep the RBA in play," Ong said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0259 GMT [Dow Jones] The spot USD/CNY slipped to a four-day low of 6.1471 this morning from 6.1523 late Tuesday after the People's Bank of **China** set the dollar/yuan central parity rate at 6.1658, slightly lower than Tuesday's 6.1663. The drop came even as the euro tumbled to an 11-and-a-half month low of 1.3153 against the greenback. Further downside support may be encountered at 6.1459 (lower 20-day one-standard deviation Bollinger Band), then at 6.1366 (Aug. 19 low). Resistance is at 6.1570 (middle 20-day Bollinger Band), then at 6.1616 (Friday's high). Spot USD/CNY is at 6.1491; 1-month USD/CNY NDF at 6.1690. (jerry.tan@wsj.com)

0239 GMT [Dow Jones] Korean equities look attractive compared with Korean 5-year treasury bonds now that interest rates seem poised to head higher, says Barclays. "The yield gap between Korea equities and the government Treasury bond yield, and also between the Korea yield gap and EM yield gap and DM yield gap, imply too much risk premium in Korea equities," the bank says. Government stimulus measures and a one-off rate cut by the Bank of Korea this month should encourage rotation from bonds into stocks, the bank adds. "The recently announced tax reduction for dividend income (from 14% to 9% for minor shareholders) and the stimulus for dividend payout should attract more attention to equities." Barclays adds Samsung Fire & Marine Insurance (000810.SE) and LG Chem (051910.SE) to preferred stocks, while cutting Dongbu Insurance (005830.SE) and LG Display (034220.SE). Korea's KOSPI gains 0.6% to 2,079.96. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0237 GMT [Dow Jones] The yuan rises tracking a stronger daily yuan fixing rate set by the PBOC and ignoring the dollar's broad gains overnight. The yuan is at 6.1485 to a dollar compared with 6.1523 at Tuesday's close. The central parity is set at 6.1658 compared with 6.1663 Tuesday. "I don't quite understand the yuan's strength today with more local media reports pointing to the weakness in the fragile economic recovery. It's probably just tracking the gains in the offshore yuan," a Shanghai-based foreign bank trader says. The USD/CNH, or offshore USD/CNY, was at 6.1480 from 6.1536 late Tuesday in **Hong Kong**. Offshore, one-year USD/CNY NDFs are down at 6.2225/6.2249 from 6.2270/6.2310 late Tuesday. (wynne.wang@dowjones.com)

0219 GMT [Dow Jones] South Korea's exports is likely to have declined in August following a solid gain the previous month, says Nomura economist Kwon Young-sun. He expects exports to have fallen 1.8% in August. Exports in July grew a faster-than-expected 5.7% from a year earlier. Kwon attributes the country's expected weak trade data to fewer work days, less car production due to summer vacations and the weakening euro and yen. The trade ministry is due to release the August exports data on Sept 1. (kwanwoo.jun@wsj.com)

0216 GMT [Dow Jones] Credit Agricole says the yuan may fall below technical support at the 200-day moving average owing to continued negative local news about the banking sector. "There is more noise about weak lending in August which would mean the second-straight month of poor credit expansion," Credit Agricole says. This is bad for third-quarter growth--government stimulus is directed mainly through infrastructure spending which is paid for by lending. It sees the currency as an outperformer in the second half and a safe haven at a time of a strong U.S. dollar and rising U.S. Treasury yields--but a further tactical retreat is increasingly likely. (wynne.wang@dowjones.com)

0211 GMT [Dow Jones] BMD CPO is likely to find its feet in Wednesday's trade with prices supported at the MYR1,989-MYR1,996/ton level, says a broker in Kuala Lumpur who adds that bargain-hunting and short-covering may drive prices to test the MYR2,034-MYR2,046/ton resistance. An improvement in soyoil price also boosts palm-oil. Benchmark November BMD CPO closed 0.7% lower at MYR2,015/ton Tuesday. October CBOT soyoil is 14 cents higher at 33.19 cents/lb in electronic trade. (huileng.tan@wsj.com; Twitter: @huileng_tan)

0209 GMT [Dow Jones] **China** shares are slightly higher with telecom, media and technology companies rebounding on bargain hunting following Tuesday's losses. The Shanghai Composite Index is up 0.2% at 2211.36 after a two-session 1.5% drop. Analysts tip the index to trade in a 2200-2250 band. "The market is unlikely to gain much as there is no good news about economy," says Jacky Zhang, an investment adviser at BOC International (**China**). Defense stocks are active on hopes of SOE reforms with state-controlled AVIC Aero-Engine Controls (000738.SZ) hitting its 10% daily upside limit at CNY14.81. Among TMT sectors, **China** National Software & Service (600536.SH) adds 4.2% to CNY27.29. The Shenzhen Composite Index is up 0.4% at 1207.29. (amy.li@dowjones.com)

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