

HD Three Reasons RBNZ Increased Rates but the RBA Won't: TD Securities -- Market Talk

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0352 GMT [Dow Jones] The RBNZ decided to increase its cash rate while its Australian counterpart won't because New Zealand business confidence and activity are consistent with 4.0% annual GDP growth by the end of the year or early 2015 while "Australia is barely positive," TD Securities head of Asian-Pacific research Annette Beacher says. Consumer sentiment in New Zealand "is still in the highly expansive zone while Australia is still sulking about the May budget." Finally, New Zealand inflation expectations at 2.62% are a two-year high. RBNZ Gov. Graeme Wheeler says "it is important inflation expectations remain contained." Racing away from the mid-2% target "is not what the RBNZ governor has in mind," she says. The RBNZ hasn't finished tightening--"it is merely pausing for now," she says. (rebecca.howard@wsj.com; @FarroHoward)

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0350 GMT [Dow Jones] **Hong Kong**-dollar demand is fueled by IPOs and share buying. The USD/HKD is hovering around 7.7504--close to the strong end of the dollar peg and down from around 7.7510 early Thursday. "**Hong Kong** dollar liquidity has become tighter again and interest rates are squeezed up," a senior trader at a local bank says attributing demand for the currency to pork **company** WH Group Ltd. raising US\$5 **billion** in an IPO and buoyant **China** data sending **Hong Kong** stocks to a three-year high. The HKD is repeatedly hitting the strong side of the band and encouraging the HKMA to intervene in the first two weeks of July. "Capital inflows may go on next week," the trader says. (fiona.law@wsj.com)

0343 GMT [Dow Jones] **China** shares are up midday, boosted by strength in banks and cyclical sectors, though analysts warn of a potential correction after recent gains. The Shanghai Composite Index rises 0.5% at 2115.53 and 2150 could act as immediate resistance. Despite the gains, Shenyin Wanguo Securities analyst Li Xiaoxuan says the market may brace for a retreat following recent gains as Beijing's measures to support economic growth may have largely been priced in. Banks gain on low valuations after AgBank said it will tweak its mortgage policy for first-time home buyers in Shanghai, a move seen to support housing-market sentiment. AgBank (601288.SH) is up 1.7% at CNY2.44 while ICBC (601398.SH) advances 0.6% to CNY3.50. Metal plays are higher on the back of stronger metal prices. The Shenzhen Composite Index adds 0.5% at 1106.68. (amy.li@dowjones.com)

0331 GMT [Dow Jones] **Chinese** government **bonds** extend gains as liquidity conditions continue to improve. The one-year government-bond yield is 2 basis points lower at 3.74%, and the seven-year government-bond yield is 4 basis points lower at 4.17%, after the benchmark seven-day repo rate is down at 4.10% versus 4.16% late Thursday. But Guotai Junan Securities warns about upside risks in the bond yields. July data shows the government's loosening policies are starting to take effect and business expectations are improving. Both may **lead** to a substantial increase in money and credit demand from the real economy and hurt liquidity in the bond market, the securities **firm** says. (wynne.wang@dowjones.com)

0327 GMT [Dow Jones] New Zealand business confidence continued to wane in July, ANZ Bank's business outlook survey showed Friday, with a net 39.7% of the respondents in the monthly survey expecting business conditions to improve over the next 12 months compared with a net 42.8% who had expected an improvement in the prior survey. "Business optimism continues to wilt," says ANZ Bank

Chief Economist, Cameron Bagrie. However, "the declines need to be put in perspective; we're coming from extreme levels of optimism." Bagrie says that while confidence is 31 points off its peak "the underlying pulse still looks good." (rebecca.howard@wsj.com; @FarroHoward)

0321 GMT [Dow Jones] Singapore industrial output likely contracted at a slower pace in June at 0.8% year over year compared with a 2.5% decline in May as the electronics sector continues to remain weak, according to a median of five estimates in a Dow Jones poll. "Electronics exports have been declining for the past 23 months and the recent 'firm specific' disruption to production is adding salt into the wound," DBS bank says. The electronics sector has been contracting for nearly two years as demand moves away from computers and laptops to tablets and smartphones--forcing component producers to change their product mix. Measured month over month and seasonally adjusted industrial output is likely to have contracted 0.9% compared with a 5.7% contraction in May, according to the median of three estimates. The government will release June data at 0500 GMT on Friday. (venkat.pr@wsj.com)

0311 GMT [Dow Jones] McKinsey Global Institute estimates that the growth of Internet-based technologies could account for about 7% to 22% of the increase in China's GDP between now and 2025. Over that time period, McKinsey estimates China's GDP will grow at an average rate of 6.6% and will double in size. Moreover, Internet-based growth isn't the kind generated by heavy capital investment -- meaning the kinds of industries that have turned the sky over Chinese cities brown with smog. The Internet is the very definition of productivity and innovation, McKinsey says, which is just what China needs. Readers, though, should take McKinsey's ode to China with some skepticism. The McKinsey Global Institute is almost always relentlessly bullish on China, even though the country's growth rate continues to slow, even by China's somewhat suspect officials stats. (Bob.davis@wsj.com)

0309 GMT [Dow Jones] Exports from Vietnam are expected to be flat month over month in July. They fell in May and June. "Exports of farm produce are picking up while some exporters are resuming their export contracts with their Chinese clients following the removal of the Chinese oil rig from waters off Vietnam's coast earlier this month," economist and former central bank governor Cao Si Kiem says. The government's General Statistics Office is expected to release July trade data later Friday or early next week. Exports in June fell 0.2% month over month after falling 5.0% in May, according to government official data. Kiem says foreign-invested companies will continue to be the main exporters with significant products being smartphones and other electronic items. (trong-khanh.vu@wsj.com)

0243 GMT [Dow Jones] China yuan's falls as the central bank guides the yuan weaker after data showing a sharp decline in U.S. weekly jobless claims. The USD/CNY pair is at 6.1956 vs 6.1949 at Thursday's close, after the central parity is set at 6.1597 vs 6.1579 Thursday. "The yuan is also taking a breather after it hit its highest level in more than 3 years," says a Shanghai-based foreign bank trader. Offshore, one-year USD/CNY NDFs are up at 6.2410/6.2460 from 6.2380/6.2430 late Thursday. (wynne.wang@dowjones.com)

0227 GMT [Dow Jones] Geely's (0175.HK) share price is bottoming and is set for a reversal of its poor performance so far this year, says J.P. Morgan. Geely's share price has fallen around 20% this year while shares of other Chinese carmakers have staged a rebound. JPM upgrades Geely to overweight as it believes most of the downside to its earnings and weak sales from channel restructuring are already priced in. "Geely is entering a completely new wave of model cycle in 2H14-2016," it says. JPM raises its target price to HK\$3.7. Geely rises 4.3% to HK\$3.15 Friday. (jacky.wong@wsj.com; Twitter: @jackycwong)

0223 GMT [Dow Jones] Macquarie (MQG.AU) downgrades Orora (ORA.AU) to Neutral from Outperform after a strong share price performance post demerger. However, it notes the North American distribution business is an attractive aspect of Orora's portfolio, given its small but growing share of the US\$40-US\$50 billion U.S. corrugated packaging distribution market. "We expect acquisition opportunities to emerge as the business pushes East from its West Coast bias and takes advantage of a fragmented market," the broker says. Target price remains A\$1.51. The stock is last down 1% at A\$1.47. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0221 GMT [Dow Jones] The U.S. dollar is stronger across Asia after Thursday's better-than-expected U.S. weekly jobless claims data. Asian currencies are retreating to levels seen at the start of the week. Stock markets are broadly down 0.1%-0.4% in Southeast Asia on fears that the trend of improving U.S. jobs data has picked up pace and could lead to an earlier U.S. interest rate hike. Although job growth is not the only factor that will prompt the U.S. Federal Reserve to raise interest rates--the other being the inflation rate--the yield on the benchmark U.S. 10-Year Treasury rose above 2.50% on the jobs data, suggesting the market is pre-empting more positive data. (ewen.chew@wsj.com)

(END) Dow Jones Newswires

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