

HD RBA Keeps Rates Steady but Talks Down AUD -- Market Talk**WC** 1,657 words**PD** 2 December 2014**ET** 15:02**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

0402 GMT [Dow Jones] The AUD/USD got an initial jump to 0.8510 from 0.8487 after the RBA left its cash rate unchanged at 2.5% but then eased back to be relatively steady at 0.8492 "as the RBA song sheet appears largely unchanged," says Stuart Ive, Stuart Ive, OM Financial senior client advisor. "On present indications, the most prudent course is likely to be a period of stability in interest rates, said Reserve Bank of Australia Governor Glenn Stevens in a statement. He also made another attempt to jawbone the Aussie lower saying it "remains above most estimates of its fundamental value, particularly given the significant declines in key commodity prices in recent months." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor JSM

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0356 GMT [Dow Jones] The Australian dollar jumped as high as 0.8507 from 0.8483 against the greenback after the Reserve Bank of Australia kept its cash rate target unchanged at 2.5% as widely anticipated and left its statement largely unchanged, disappointing some speculators betting a more dovish stance after Aussie-negative comments from RBA deputy governor Philip Lowe last week. But the AUD/USD gains were short-lived as the currency pair quickly retreated to 0.8468, tracking weaker **oil** prices (Nymex crude was last down 52 cents at \$68.48/bbl on Nymex). Dow Jones technical analysis shows the AUD/USD daily chart still negative-biased as MACD bearish, stochastics stays suppressed at oversold levels, while the five- and 15-day moving averages are declining. Spot AUD/USD is last at 0.8490 amid choppy trading. (jerry.tan@wsj.com)

Editor: MNG

0355 GMT [Dow Jones] South Korean inflation decelerates to 1.0% year-on-year in November, down from 1.2% in October, sending the Kospi down 0.4% to 1,956.86. "Weakening CPI inflation momentum is being driven by soft demand as demand-related prices continue to slow, while the pace of decline in agricultural and gasoline prices was muted," says Nomura. While an 80% tax hike on Korean cigarettes, due to take effect in the new year, could add 0.6% to the country's consumer price index basket in 2015, the Bank of Korea is unlikely to factor this in during the year ahead, Nomura says. "We maintain our out-of-consensus call for two more rate cuts to 1.50% by April 2015." (gregor.hunter@wsj.com; Twitter: @gregorhunter)

Editor JSM

0349 GMT [Dow Jones] The Reserve Bank of Australia was "never likely to be a scrooge and bump up interest rates just before Christmas," says Dennis de Jong, managing director at UFX.com. He notes that Australia's economy remains fairly robust "but with tepid growth in Europe and **China**, as well as the continuing geopolitical tensions around the world, there are enough threats out there for the bank to keep the pause button pressed." While the country's **mining** sector continues to weaken, non-**mining** conditions are improving steadily, while the housing market remains strong. "Exactly when the RBA will

decide to hike interest rates is difficult to predict, but the middle of next year, potentially at a similar time to the U.S. Federal Reserve, might not be too wide of the mark," he says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor JSM

0340 GMT [Dow Jones] Stocks in Japan are on a tear but its own investors are selling at a record pace, a sign of lack of domestic support for Prime Minister Shinzo Abe's economic revival program. Japanese retail investors sold \$24 **billion** of stocks over the past five weeks--the highest since as far back as 1993--even as foreign investors continued to invest for the fifth straight week, according to data by JP Morgan strategist Nikolaos Panigirtzoglou. Foreign investors have bought \$33 **billion** in Japanese stocks in that period, according to Japan's Ministry of Finance. The Nikkei Stock Average has leapt 12% since the Bank of Japan announced fresh stimulus for the economy at the end of October. (chao.deng@wsj.com)

Editor JSM

0337 GMT [Dow Jones] The market is closely watching today's auction of 10-year Japanese government **bonds** to measure whether the move Monday by Moody's Investors Service to downgrade Japan's credit rating has cooled bullish sentiment toward JGBs. The finance ministry will announce the result at 0345 GMT. The lowest accepted price for 10-year debt, totalling around Y2.4 trillion, will likely come to around 100.26, traders say. With coupons and yields at low levels, "it is hard to predict how investors will respond," says Tokai Tokyo Securities chief bond strategist Kazuhiko Sano, adding that the result of the auction "will likely influence the direction of prices over the short-term." The latest issue carries a coupon of 0.5%, unchanged from the previous tender in November. **Lead** December JGB futures are down 0.15 at 146.75. (takashi.nakamichi@wsj.com)

Editor: MNG

0328 GMT [Dow Jones] NZD/USD benefited from an overnight slide in the U.S. dollar and there "is clearly a lot of demand out there for the New Zealand dollar," says Sam Tuck, ANZ senior currency manager. The pair is at 0.7866 and Tuck says it remains relatively rangebound between 0.7700 and 0.8000 so "anywhere up around 0.7900 people start to find importer offers and anywhere below 0.7800 you'd probably start to find exporter bids." He notes the ANZ commodity price index declined 1.6% but "other commodities other than dairy are still holding up relatively well. That's perhaps a good reason to justify why the New Zealand hasn't been really punished on the commodities story like the Aussie dollar in the last few days." He says investors will now be focused on the overnight GlobalDairyTrade auction. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor JSM

0327 GMT [Dow Jones] After swinging back to a small surplus of \$0.02 **billion** in October, Indonesia's monthly trade balance may continue to improve to between \$0.1 **billion** and \$0.5 **billion** in coming months due to the drop in price for **oil**, says Citi. "Since November, **oil** prices continued sliding while non-**oil** commodity prices e.g. **coal** and palm **oil** stabilized," it adds. Indonesia is a net **oil** importer and major exporter of thermal **coal** and palm **oil**. (I-made.sentana@wsj.com)

Editor JSM

0321 GMT [Dow Jones] India's rupee could keep weakening versus the U.S. dollar in the near term, the daily USD/INR chart suggests. USD/INR is likely to keep rising if it holds on to the 61.94 support level that is the base of the daily Bollinger uptrend channel. The uptrend channel may **lead** USD/INR to the monthly Bollinger uptrend channel at 62.93. The Reserve Bank of India's interest rate decision due at 0530 GMT could be key to the rupee's next move. The central bank is likely to keep its base lending rate unchanged after a strong manufacturing PMI released Monday. USD/INR may spike to the 9-month high of 62.24 reached on Friday if the typically-hawkish central bank surprises the market with an interest rate cut. USD/INR closed Monday at 61.95. (ewen.chew@wsj.com)

Editor: MNG

0322 GMT [Dow Jones] Taiwan government **bonds** are lower, weighed by profit-taking after recent gains, says a local trader. But the recent bullish trend of **bonds** has not yet ended after the yields of local **bonds** fell below key support levels on technical charts, the trader says. "The low interest rate environment will likely last longer than we had expected, that will keep pushing bond prices higher," he adds. Some funds are also shifting to local **bonds** from stocks after the ruling Kuomintang party suffered a larger-than-expected defeat in local elections Saturday. The most-traded 10-year bond yield rises to 1.5815% from 1.5780% late Monday; the five-year bond yield is at 1.0895% versus 1.0690%. The Taiex is 1.0% lower. (fanny.liu@wsj.com)

Editor JSM

0319 GMT [Dow Jones] Indonesia's rupiah falls for a seventh consecutive day, reaching a low last seen in January. The rupiah has been slipping on a deterioration of general investor sentiment associated with falling **oil** prices and weak **China** manufacturing purchasing managers' indexes released yesterday. USD/IDR is now inside the daily Bollinger uptrend channel--a signal suggesting the rupiah is likely to fall further against the U.S. dollar in the near term. A strong inflation number released Monday has raised expectations that Bank Indonesia might have to hike interest rates again to stem price increases. The central bank on November 18 raised its benchmark lending rate by 0.25 percentage points to counter the inflationary effects of the government's fuel subsidy cut. USD/IDR is now 12,275 from its Monday close of 12,270. (ewen.chew@wsj.com)

Editor JSM

0311 GMT [Dow Jones] Total wages of an average Japanese employee--consisting of base pay, overtime and bonuses--increased 0.5% in October, extending the streak of year-on-year gains to the eighth month, the longest stretch since 1997, labor ministry data showed Tuesday. The gain slowed from the previous month's 0.7% rise, but the positive trend isn't expected to change anytime soon amid growing pressure on employees to keep up wages in line with inflation. With import prices pushed up by a weaker yen, the month's total wages still represent a decline of 2.8% on an inflation-adjusted basis, the data showed. (mitsuru.oba@wsj.com)

Editor JSM

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