

**HD** **NZX-50 Closes 0.4% Led by Weakness in Large Caps -- Market Talk**

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Contact us in Singapore. 65 64154 140; MarketTalk@dowjones.com

0547 GMT [Dow Jones] The NZX-50 closes down 0.4% at 5165.56 led by weakness in large cap stocks Telecom (TEL.NZ) and Fletcher Building (FBU.NZ), says Hamilton Hindin Greene broker Grant Williamson. Telecom was down 3.1% at NZ\$2.85 after UBS downgraded the **company** to Sell from Neutral, saying recent outperformance had left the **company** 25% above its valuation. He adds that Fletcher Building (FBU.NZ) fell 1.6% at NZ\$9.04. Williamson adds Fonterra Shareholders Fund (FSF.NZ) ended up 1.2% at NZ\$6.07 after the **company** announced it expected to pay a NZ\$0.20-NZ\$0.25 dividend per unit vs. a NZ\$0.10/unit dividend in 2014. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

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0538 GMT [Dow Jones] **Oil**-refining margins will likely to remain good in Japan through March 2017 thanks to a government-imposed refining-capacity cut, SMBC Nikko Securities analyst Hidetoshi Shioda says. Gasoline margins have already more than doubled from January to Y15.7 (\$0.15) a kiloliter in the first week of July after closures of three refineries from July 2013 to March 2014. Besides, the government announced an additional 10% capacity-cut by March 2017 on expectations of even lower domestic **oil** demand in line with adoption of **energy** efficient technologies. (mari.iwata@wsj.com)

0532 GMT [Dow Jones] Fonterra's lowering of its forecast payout to farmer shareholders underlines expectations that New Zealand GDP growth has peaked in the first half of the year, says First NZ Capital Economist Chris Green. The softer growth, coupled with moderate inflationary pressures, suggests the central bank is likely to pause its current tightening cycle for the remainder of the year, he adds. Fonterra lowers its forecast payout to NZ\$6.00 from NZ\$7.00, adding to the dampening effects of higher official cash rate settings and softening leading indicators and **business** sentiment, Green says. While Fonterra anticipates some recovery in global **dairy** prices, "the risks to the updated estimate of NZ\$6.00 per [kg of **milk** solid] still remain skewed towards the downside," he adds. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0528 GMT [Dow Jones] ASB Bank continues to expect Fonterra's 2014-15 payout to be NZ\$6.20 per kilo of **milk** solids "though Fonterra's new forecast signals where the risk lies," says Chief Economist Nick Tuffley. He expects "a degree of recovery in global **dairy** prices to start before too much longer." Tuffley notes that **dairy** prices have fallen 35% since early February. Tuffley says, however, the fall was well anticipated by the RBNZ and is one reason for the RBNZ pausing its rate hike cycle. As a result "we aren't changing our OCR outlook and don't expect another OCR increase until December." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0525 GMT [Dow Jones] Weakness in the Atlantic Basin sweet crude market is reflected in Brent prices, where contracts are in a contango structure going out three months, Societe Generale says. "The latest market reports indicate that there are still 18 cargoes of August loading West African crude available, even as September cargoes are becoming available for **sale**," the bank says. This means that price differentials for West African crude grades will keep falling, it says, adding that lukewarm fuel demand and weak refining margins continue to keep crude demand subdued. Nymex crude is down 30 cents at \$101.37/bbl, Brent crude is down 14 cents at \$107.43/bbl. (eric.yep@wsj.com)

0523 GMT [Dow Jones] Australia's leading umbrella **group** for housing construction firms has thrown its weight behind an idea to allow home buyers access to their retirement savings in order to **purchase** a property. "Superannuation contributions are a form of forced savings for people--to support them in their retirement. Owning a home delivers the same result," said Graham Wolfe, HIA's Executive Director. Aspirational first home buyers would be able to accumulate a deposit, secure home ownership sooner and redirect their rental payments to their own future financial security, Wolfe added. (james.glynn@wsj.com)

0520 GMT [Dow Jones] The Aussie dollar surged from 1.0988 to as high as 1.1032 against its New Zealand counterpart Tuesday--its strongest since June 4--after Fonterra reduced its forecast for the 2014/15 season payout to NZ\$6.00 a kilo of **milk** solids from NZ\$7.00 late May. Further upside in spot AUD/NZD may encounter resistance at 1.1034 (June 4 swing high); and then at 1.1162, the previous base set on Sept. 23. Spot AUD/NZD was recently at 1.1025 versus 1.1003 in late New York trade Monday. (jerry.tan@wsj.com)

0516 GMT [Dow Jones] The NZD/USD pair falls 30 pips after New Zealand **dairy** giant Fonterra lowers what it expects to pay farmers for **milk** produced, says Western Union **Business** Solutions Corporate Dealing Manager Chris Hunter. "It's piling more bad news on top of an already negative sentiment toward the Kiwi." The pair is at 0.8522 vs. 0.8546 ahead of the Fonterra news. Fonterra downgrades its forecast **milk** payout to NZ\$6.00 per kilo of **milk** solid vs. previous guidance of NZ\$7.00, reducing the expected cashflow in the economy over the coming year. Hunter says the next major event for the pair is the Fed statement Thursday, with ISM manufacturing and nonfarm payrolls data at the end of the week also key drivers. Hunter puts support for the pair at 0.8500 with resistance at 0.8560. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

0514 GMT [Dow Jones] A sharp drop in Fonterra's forecast payout to its farmer shareholders was "lower than most in the market were expecting and will come as a shock to farmers," says Westpac Bank Chief Economist Dominick Stephens. Fonterra is now planning to pay farmers NZ\$6.00 per kilogram of **milk** solids versus a prior forecast of NZ\$7.00 and versus the prior season's NZ\$8.40. Stephens says the move means the collective income of NZ farmers will be around NZ\$4.3 **billion** less than in the previous season. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0509 GMT [Dow Jones] The downward move for USD/THB has abated this week as traders pare short-USD positions before the U.S. FOMC meeting on Wednesday. But the bearish technical bias persists as long as USD/THB stays below 31.85--the ceiling of the Bollinger downtrend channel. The U.S. dollar is broadly firmer before the FOMC meeting--which may hint at an earlier U.S. interest-rate rise. Coupled with the U.S. second-quarter GDP report Wednesday--which is expected to show a 3.0% expansion versus the previous quarter's 2.9% contraction--traders are uneasy being short the U.S. dollar. U.S. nonfarm payrolls on Friday may also add to positive dollar sentiment later in the week. USD/THB is now 31.81 from its Monday close of 31.80. (ewen.chew@wsj.com)

0507 GMT [Dow Jones] Credit Suisse lifts its year-end Taiex target to 10,000, from 9,200, as **China's** improving leading indicators will bring incremental positives to Taiwan's market. Taiex has surged around 10% this year as foreigners rushed into the market expecting Taiwan's tech stocks to benefit from better growth in developed countries and Apple's new iPhone launch. "Looking into 2H14, we see a better balance between tech and non-tech as **China's** better bottoming should help non-tech earnings while financials should be supported by lower-than-expected credit cost," says Credit Suisse. It raises Taiwan's non-tech to overweight, after upgrading financials earlier this month. (jacky.wong@wsj.com; Twitter: @jackycwong)

0505 GMT [Dow Jones] The euro rose from 1.5717 to a seven-week high of 1.5776 against the kiwi Tuesday after Fonterra reduced its forecast for the 2014/15 season payout to NZ\$6.00 a kilo of **milk** solids from NZ\$7.00 late May. Dow Jones technical analysis shows EUR/NZD short-term technical outlook is positive as the daily MACD and slow stochastic indicators are bullish, the five-day moving average is above the 15-day moving average and advancing while the rate-of-change momentum indicator is rising in positive territory. Further upside in spot EUR/NZD may encounter resistance at the base of the daily Ichimoku cloud--now at 1.5782--and then at the 100-day moving average--now at 1.5869. Spot EUR/NZD was last at 1.5759 versus 1.5722 late Monday. (jerry.tan@wsj.com)

(END) Dow Jones Newswires

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