

**HD** **AUD/USD Slightly Lower on 'Dovish' RBA Statement -- Market Talk**

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0425 GMT [Dow Jones] The AUD/USD is slightly lower after the decision by the Reserve Bank of Australia to keep rates on hold. Its statement was interpreted as more dovish than expected, says HiFX senior trader Michael Johnston: "They say they expect inflation not to be a problem, growth to be below trend for the next few quarters and Aussie commodity prices could fall further. They are firmly on hold." The pair is at 0.8744 versus 0.8752 ahead of the announcement. He puts support for the pair at 0.8660 with resistance coming in at 0.8780. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

Editor JSM

**TD**

0420 GMT [Dow Jones] Australia's central bank left its benchmark interest rate unchanged for a 14th month in a row Tuesday saying a sharp fall in the Australian dollar over recent weeks will help the economy, but that it still remains overvalued. "The most prudent course is likely to be a period of stability in interest rates," the Reserve Bank of Australia says. The policy rate was kept at its record low of 2.5% to cushion the economy against the end of a **mining** investment boom, a sharp downturn in commodity prices, and growing signs of a slowdown in **China**. "The exchange rate...remains high by historical standards, particularly given the further declines in key commodity prices in recent months," the central bank said following a policy meeting earlier today. The Australian dollar was little moved on the comments, trading in a tight range around US\$0.8750 after. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

Editor JSM

0354 GMT [Dow Jones] Australian shares, and to a lesser extent their global counterparts, may be part way through a deeper correction, but will likely stop short of bear market territory, says Shane Oliver, head of investment strategy at AMP Capital Investors. Among worries bringing the market down are expectations of tightening by the U.S. Federal Reserve; fragile economic growth in Europe, Japan and **China**, and geopolitical tensions in the Middle East. Importantly, however, share-price valuations don't look extreme. "From a fundamental point of view the cycle still looks okay with no sign of the overvaluation, overheating economic conditions, onerous monetary tightening or investor euphoria that normally precedes major bear markets," Oliver says. (Ross.Kelly@wsj.com)

Editor JSM

0330 GMT [Dow Jones] The short end of New Zealand government bond yields are likely to continue to inch higher as the "market still underestimates the path ahead for the official cash rate. We see the OCR at 4.75% by 2016, while the market prices around a 4.25% OCR in two years' time." says BNZ in a note. It adds that, with the passage of time, the two-year swap will roll up as it discounts a higher two-year window for the cash rate. BNZ also sees long-end yields moving higher partly due to moves in the U.S. equivalent market. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

Editor JSM

0318 GMT [Dow Jones] "Occupy Central" does not pose any imminent harm to **Hong Kong** landlords, but it will bring more uncertainties in the medium term, says Deutsche Bank. Turnover rent, the practice of linking rents to the sales generated by the tenants, only accounts for a small percentage of total rental revenue, so the decline in retail sales have little impact up to this point, it says. In the medium term, however, mainland visitors may see **Hong Kong** as a less attractive destination. Among the listed landlords, Deutsche thinks Hysan (0014.HK) is most impacted, with 100% of its retail portfolio and 43% of its net asset value affected by the protests. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor: KLH

0303 GMT [Dow Jones] The Nikkei rises modestly into positive territory just before the midday break, now up 0.04% at 15897.31. Volume is tepid at just 990 **million** shares. The Bank of Japan's decision on policy is likely to be announced some time in the next two hours. "Traders are being realistic about the almost zero chance of any policy change; rather, they want to see if there is any dissent among board members over the BOJ's stance," says an **equity** trading director at a European brokerage. "Considering how closely intertwined politics, monetary policy and public investment policy have come to be under Abenomics, how the BOJ views progress toward its inflation goal could have a dramatic effect on how the massive Government Pension Investment Fund (GPIF) rejiggers its portfolio." The director adds that the market may have to wait until November 17 for second-quarter economic data to get a firmer idea on the scope of the country's next tax hike, and to grasp the impact of potentially trillions of yen in changes to domestic stock and bond allocations involved in the GPIF realignment. (bradford.frischkorn@wsj.com)

Editor JSM

0302 GMT [Dow Jones] Bank Indonesia said it sold dollars in the market last month to stabilize the rupiah's exchange rate, citing the move as one of the reasons for the drop in the foreign exchange reserves to \$111.2 **billion** at the end of September from \$111.16 **billion** at the end of August. Dealers suspects Bank Indonesia intervened mostly in the third and fourth weeks of September when the USD/IDR climbed above 12,200. "We hadn't seen any sign of Bank Indonesia's intervention since Friday, indicating that it doesn't try to drive the pair to certain level, but only to reduce the fluctuation," a dealer says. They add the central bank will likely continue its policy not to defend the pair at any certain level but let the market find an equilibrium for the pair. A weaker rupiah is also needed to help Indonesian exports more competitive while also discourage imports. (i-made.sentana@wsj.com)

Editor: KLH

0258 GMT [Dow Jones] **Gold** prices are a touch lower in Asian trade, largely maintaining an overnight rebound after the price touched a low for the year the previous session. Asian demand for the precious metal has been relatively modest, but demand could surge if prices were to fall again below \$1,200/oz, ANZ says in a report. India, the world's second-largest **gold** consumer, will be celebrating its biggest buying occasion, the Hindu festival of lights or Diwali, on Oct. 23, which could mean an increase in demand. At 0250 GMT, spot **gold** was down 0.3% at \$1,203.08 an ounce. (biman.mukherji@wsj.com)

0237 GMT [Dow Jones] A softer reading for Australian house price growth in September may have eased some of the concerns the central bank has about the housing market, however the trend in dwelling values remains strong with the RP Data CoreLogic index reporting a 2.9% increase in capital city house price growth over the third quarter, says Tim Lawless, head of research at RP Data. If investor interest in these markets doesn't moderate the central bank, in conjunction with the banking regulator, can be expected to intervene via prudential regulation of the banking sector to attempt to slow down the level of investment lending activity in the market, he adds. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0230 GMT [Dow Jones] Despite the sharp fall in the Australian dollar over the last month, UBS currency strategist Greg Gibbs still expects the central bank to say it is fundamentally high, highlighting the deeper fall in commodity prices this year. Gibbs adds that over the last month, the RBA has expressed concern that house prices may have become too elevated and the housing market un-balanced with an historically high share of loan growth generated by investors. Gibbs doubts the RBA will introduce this into their monetary policy statement, but if they did it would probably flatten the rates curve and weaken

the Australian dollar on fear that macro-prudential controls were imminent and the housing market may weaken.(james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor: KLH

0219 GMT [Dow Jones] The NZ government's track to surplus in the current financial year is looking increasingly difficult after data released Tuesday showed it recorded a larger-than-expected deficit in the 2014 financial year as tax revenue came in below expectations. The FY14 core deficit--operating profit before gains and losses or Obegal--shrank to NZ\$2.9 billion but was wider than the August forecast of NZ\$2.6 billion. New Zealand Finance Minister Bill English says the government won't be sure it can reach a surplus in the 2015 financial year until the year end, but would give new forecasts with the December update. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

0215 GMT [Dow Jones] BMD CPO may extend Friday's gain due to a jump in the oil complexes overnight and as the ringgit falls, says Affin Hwang in a note to clients; the house pegs psychological resistance at MYR2,220/ton. Benchmark December BMD CPO ended 1.1% higher at MYR2,170/ton Friday. The BMD was closed Monday for a public holiday. CBOT soyoil is flat at 33.48 cents/lb in electronic trade after closing 3.2% higher overnight. (huileng.tan@wsj.com; Twitter: @huileng\_tan)

Editor: MNG

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