

**HD** No More 'Super Growth' in **China's Property** Sector, Says UBS -- Market Talk

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0439 GMT [Dow Jones] **Chinese** developers are no longer able to achieve "super growth" by leveraging up and buying cheap land sites, says UBS. Given the limited upside of **property** prices and high funding costs, aggressive leveraging will bring few benefits, it says. UBS says the government is starting to watch closely for malpractice in land tendering, reducing chances to pick up land at significant discounts. "The focus will shift to cost and inventory control, sell-through rates and, most importantly, asset turnover," says UBS, which upgrades Longfor (0960.HK) to **buy** because of its management's focus on inventory and asset turnover. It also lists Shimao (0813.HK), CR Land (1109.HK) and Vanke (2202.HK) as its top picks due to their fundamental capability under this new operating environment. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor JSM

**TD**

0437 GMT [Dow Jones] **Lead** December Japan government bond futures fall further after a weak auction of 20-year JGBs. "It was a very weak result, with yields having fallen as well as ahead of [Prime Minister Shinzo] Abe's announcement about delaying the sales tax tonight," said Barclays Securities Japan strategist Akito Fukunaga. The Ministry of Finance sells 1.098 trillion yen of 1.4% 20-year **bonds** with the lowest price of 101.55 yielding 1.301%, much lower than street forecasts for a lowest price of 102.05. The bid-to-cover ratio deteriorates to 2.88 from 3.59 at the last tender, while the tail is longer at 0.41 from 0.08. It was the first time since December, 2009 that the tail has been over 0.40 at a 20-year auction. **Lead** December JGB futures are down 0.34 at 145.93. (eleanor.warnock@wsj.com)

Editor JSM

0435 GMT [Dow Jones] Asian naphtha producers such as Taiwan, South Korea, Singapore and Thailand may divert cargo to Japan from **China**. This comes as Asia's biggest economy is set to become self-sufficient in naphtha, a petrochemical product, in around 2017 as **coal**-to-chemical plants start **operations**, says Mizuho Bank in a report. **China** plans to build several **coal**-to-chemical plants inland. Once products from these plants start meeting demand from **China's** coastal industrial areas, the country's imports would drop, the report says. Currently, Japan is a naphtha exporter to **China**. However, Japanese naphtha producers are the least competitive among the Asian firms currently exporting to **China**, according to report. (mari.iwata@wsj.com)

Editor JSM

0425 GMT [Dow Jones] The NZD/USD is "edging a bit higher" as markets await news from Japan, says Stuart Ives, OM Financial senior client advisor. "We are waiting for an announcement and that's propping everything up at the moment," he says. Markets expect Japanese Prime Minister Shinzo Abe to say he will put off a planned sales-tax increase. He is also set to call for a general election on Dec. 14 to renew his mandate for an all-out assault on deflation, which has combined with falling wages and weak demand to keep Japan's economy sluggish. "The Kiwi is benefiting from the cross-yen trades coming through and

the carry trade may be coming back into play," says Ives. Markets will then focus on the overnight Global Dairy Trade auction for any clues on whether **milk** prices are stabilizing. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor: TFD

0418 GMT [Dow Jones] PVEP, the leading production arm of state-owned PetroVietnam, says it has discovered **oil** from a new well offshore southern Vietnam. It says **oil** is flowing at 1,000 barrels per day from Than Nong-1X well in Block 05-1A 260 kilometers southeast of Ba Ria Vung Tau province. The well is also churning out two **million** cubic feet of gas a day, the **company** says. It doesn't say when **commercial** production from the well will begin, but adds that it will conduct more exploration drilling in the area. (trong-khanh.vu@wsj.com; Twitter: @TrongKhanhVu)

Editor: KLH

0408 GMT [Dow Jones] Australia's central bank appears resigned to the fact the Australian dollar is set to remain overvalued, says Greg Gibbs, currency strategist at RBS. The Reserve Bank of Australia repeated in policy meeting minutes Tuesday that the Australian dollar is fundamentally too high, but it also expressed its concern that Bank of Japan policy action could boost the Australian dollar. This view, coupled with Australia's success in gaining a free-trade agreement with **China** this week could keep the Australian dollar supported, particularly against the euro and yen, says Gibbs. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

Editor JSM

0359 GMT [Dow Jones] Japanese **oil** refining margins improved after roughly 500,000 barrels a day of capacity cuts, and additional cuts of some 400,000 **b/d** expected in the following three years would sustain a proper supply-demand balance, Mizuho Bank says in a report. Refiners such as JX Holdings Inc. (5020.TO), Idemitsu Kosan Co. (5019.TO) and Cosmo **Oil** Co. (5007.TO), acting on government orders, closed some of their crude distillation units before the end of March, in line with Japan's decreasing **oil** demand. As a result of the elimination of overcapacity, margins at these refiners nearly doubled in the first 6 months of this year, the report says. Because the government plans to impose another round of capacity cuts by March 2017, on expectation of continued **oil** demand decline, operating rates at refineries would remain high, the report says. (mari.iwata@wsj.com)

0342 GMT [Dow Jones] First State Investments will not change its position on fixed income assets in Indonesia following a fuel subsidy cut announced late Monday, says Jamie Grant, head of Asian fixed income for the **firm**, but sees the development as positive for the country. First State oversees about \$53 **billion** in fixed income assets, including Indonesian government **bonds** denominated in rupiah and U.S. dollars. Grant says the subsidy cut is positive for all asset classes. "It's positive on all fronts, from a sentiment point of view, from a presidential point of view, from the currency point of view," he says, adding that the central bank "will take note of the positive move from all asset classes today and that may give them the luxury of possibly staying on hold" when it meets Tuesday afternoon. The subsidy cut will save the Indonesian government about \$10 **billion** a year. (jake.watts@wsj.com; Twitter: @jmwatts\_)

Editor JSM

0340 GMT [Dow Jones] Australia's central bank again points to risk in **China's property** market as a potential source of instability for Australia. Prashant Newnaha, an economist at TD Securities, said the commentary contained in the RBA's policy meeting minutes seemed to be a few notches above earlier references. The RBA said there was "considerable uncertainty" about **Chinese property** demand and Mr. Newnaha said it would be tracking closely the level of future concern. Australia is a big exporter of **iron ore** to **China**, much of which is used in steel manufacturing, which finds its way into housing and infrastructure. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor: TFD

0340 GMT [Dow Jones] Upgrade demand and increased use of financing will be the primary factors supporting auto sales in **China**, says Deutsche Bank. "Our survey indicates that buyers from 4 years ago are now ready for a significant replacement cycle over the next 2 years," it says. "The availability of credit will provide additional support for the industry." Deutsche upgrades Great wall (2333.HK) to **buy** and raises its target 34% to HK\$44.7 as it expects the car maker to benefit from upgrade demand and ramp-up in contributions from new models. Its top pick, however, is Brilliance **China** (1114.HK) because of its resilient car sales. Great Wall is up 1.0% to HK\$35.9 while Brilliance rises 0.3% to HK\$12.2. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor: KLH

0330 GMT [Dow Jones] The lowest accepted price for 20-year JGBs for the 0345 GMT auction result is likely around 102.05, traders say. The **sale** is a reopening of the 1.4% coupon No. 150 issue. "Yield volatility has risen" amid the expected impact of a delay in a sales-tax increase on fiscal consolidation, Mitsubishi UFJ Morgan Stanley Securities strategist Katsutoshi Inadome says. "There won't likely be aggressive buying of 20-year JGBs." He also says the fact that the auction is taking place during a series of closely-watched events, including an announcement from Prime Minister Shinzo Abe about the sales tax, could also contribute to a weak auction result. **Lead** December JGB futures are down 0.17 at 146.10 at the midday close. (eleanor.warnock@wsj.com)

Editor: TFD

0319 GMT [Dow Jones] Bank Indonesia will hold an extraordinary meeting today in response to a government increase in the price of subsidized fuel, a bank official says, with economists tipping a slight rise in the bank's benchmark policy rate. The central bank will issue a statement at 3 p.m. Jakarta time today, the official says. Given that in BI's last extraordinary meeting, in August 2013, it raised rates 50bps, "there is a good reason that we might see the central bank hiking today," says OCBC economist Wellian Wiranto. A hike of 25bps to help offset inflation would "help cement BI's revamped reputation as a more proactive central bank since 2013." Wiranto says the fuel-price increases will likely raise inflation to around 7.6% year-on-year in December, up from less than 5% currently, while Finance Minister Bambang Brodjonegoro said Monday night that inflationary pressures would likely last through February 2015. (ben.otto@wsj.com; @benottoWSJ)

Editor: KLH

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