

**HD** **Fall In NZ's 3Q Terms of Trade Will Contribute To Low Inflation -- Market Talk**

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2248 GMT [Dow Jones] A 4.4% fall in New Zealand's 3Q goods terms of trade was in line with market expectations "with the volume splits suggesting a negative contribution to 3Q GDP," says ANZ Senior Economist Mark Smith. He says a continued weakness in **dairy** commodity export prices suggest further falls are in prospect, although the terms of trade are expected to settle at still elevated levels. "A benign import price environment is expected to contribute to low inflation and keep pending OCR increases parked until the end of next year," adds Smith. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

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2232 GMT [Dow Jones] Australia's **equity** market is likely to continue falling Monday as resources stocks remain under pressure. IG forecasts an opening fall for the ASX 200 of 23 points to about 5290, a strong technical support level it suggests could be broken Monday. The spot **iron-ore** price rose 0.1% to US\$69.80/ton, which could offer some respite for **mining** shares, but Friday's 1.7% drop in BHP Billiton's (BHP.AU) U.S. ADR suggests it could fall further Down Under. IG market strategist Evan Lucas says that with bear markets for **oil** and **iron ore**, it isn't hard to understand the selling in BHP. He adds **energy** stocks such as Santos (STO.AU) and **Oil** Search (OSH.AU) could be hit again after falling sharply Friday. The ASX 200 ended Friday down 1.6% at 5313. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2230 GMT [Dow Jones] Australia's manufacturing sector is finally feeling lucky as the falling Australian dollar, tumbling **energy** costs and low interest rates have underpinned a small expansion in the sector in November. The Australian Industry **Group** Australian Performance of Manufacturing Index rose by 0.7 points to 50.1 in November from October. The reading above 50 points indicates expansion, albeit small. The reading compares with a 48.1 points average over the last dismal 12 months for the sector. "While the improvement in manufacturing activity in November is slight, it and the lift in new orders are welcome signs of the resilience of the sector in the face of still-testing conditions," said AI Group Chief Executive, Innes Willox. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2220 GMT [Dow Jones] The Australian dollar has gapped lower in early Asia trading Monday after a Swiss national referendum to compel the country's central bank to hold at least 20% of its assets in **gold** failed. **Gold** has opened lower, dragging the Aussie, a commodity currency, down with it, said David deGaris, senior economist at NAB. After closing Friday just above US\$0.8500, the Aussie has initially tested US\$0.8450 before recovering 10-20 pips. **Copper** prices were also down 3.2% on the LME. Australian dollar now US\$0.8478. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2211 GMT [Dow Jones] Warren Buffett had reason to give thanks over the holiday weekend. The day after Thanksgiving, the Alberta Utilities Commission approved the \$2.9 **billion sale** of transmission **company** AltaLink LP to Berkshire Hathaway Inc.'s (BRKA, BRKB) **energy** unit. After the deal was announced in May, the Commission reviewed public concerns about higher power prices and the **sale** to a foreign investor. However, the Canadian body determined that the deal would cause no harm to customers -- a decision that will allow Berkshire to close the transaction soon. (anupreeta.das@wsj.com)

2204 GMT [Dow Jones] New Zealand's terms of trade, a gauge of the country's purchasing power, fell in the third quarter, weighed by **dairy** and forestry product prices. Stats NZ Monday says the 3Q terms of trade fell 4.4% but without **dairy** it would have only been down 0.9%. Overall, export prices fell 4.5% while import prices fell 0.1%. The decline in the terms of trade means New Zealand can **buy** fewer imports for the same amount of exports and once again underscores the significant dependence on **dairy**. It is the first fall in the terms of trade since the December 2012 quarter. (rebecca.howard@wsj.com)

2146 GMT [Dow Jones] J.P. Morgan raises Challenger (CGF.AU) to neutral from underweight following a sharp fall in its share price on news its care annuities will no longer receive favorable tax treatment in Australia. The brokerage sees offsetting positives from CGF's move into retail and industry fund platforms as well as a potential lift from changes introduced in the wake of the government-backed financial system inquiry, which is due to release its findings and recommendations this month. J.P. Morgan's target price for CGF falls to A\$6.20/share from A\$6.51. CGF last traded at A\$6.35. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2137 GMT [Dow Jones] Lower **oil** prices are likely to be key driver in **equity** markets across Asia this week with movements "causing some fluctuation in the market," says Forsyth Barr investment advisor Adrian Vance. He adds that **oil** price movements were impacting the NZ market with Air New Zealand (AIR.NZ) trading near multi-year highs, while NZ **Oil** and Gas (NZO.NZ) is under pressure. He says Pacific Edge (PEB.NZ) remains in focus after result Friday, which Forsyth Barr continues to have a outperform rating on it. "It's a big opportunity but it's high risk." (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

2113 GMT [Dow Jones] NZD/AUD remains stronger as markets remain reluctant to **buy** any currency that's associated with commodities, especially hard commodities "with **oil** prices still cratering," says ANZ in a morning note. "AUD fundamental data will drive this cross this week, with the RBA, 3Q current account and GDP, along with retail sales" all due to be released. ANZ adds the NZ GlobalDairyTrade auction will ensure commodities still have a hand to play in this cross. The pair is at 0.9235 vs. 0.9219. ANZ expects the pair to trade in a short term range of 0.9160 to 0.9240. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

2104 GMT [Dow Jones] After 25 years of inflation targeting New Zealand's central bank says it is still the best option. Inflation targeting has delivered price stability without reducing long-term growth, and remains the appropriate focus for monetary policy, says Reserve Bank Gov. Graeme Wheeler. He notes, however, the long term path of the real exchange rate is unaffected by monetary policy and exchange rate regimes. While there has been a recent decline in the nominal rate "the high level of New Zealand's real effective exchange rate remains unjustified and unsustainable," he says. While the central bank recognizes the pressures associated with exchange rate overshooting, "there is little the Bank can do to sustainably alleviate an overvalued real exchange rate, whether through monetary policy actions or the choice of exchange rate regime," he says. As a result, the appropriate policy response often lies elsewhere "through measures to improve domestic saving, boost competitiveness, and raise the growth rate of potential output," says Wheeler. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2052 GMT [Dow Jones] The AUD/USD downside remains vulnerable after breaking through support levels, says Westpac Bank Senior Strategist Imre Speizer. "It's just heading lower and there's no obvious stopping point until 0.8400," he says. Speizer says the day's market highlight is likely to be **China's** manufacturing PMIs -- both official and HSBC versions and any bounces will likely be capped at 0.8540. The pair is at 0.8469 early in New Zealand. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2035 GMT [Dow Jones] The NZD/USD opened under pressure after a commodity sell-off Friday, says BNZ FX Strategist Raiko Shareef. He says the focus will now be on New Zealand's terms of trade data, due Monday, followed by the GlobalDairyTrade auction as it is the last before Fonterra provides an update to its payout forecast for the current season. The pair is at 0.7814 and Shareef says it has resistance at 0.7870, and support at 0.7770. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

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