

**HD** EUR Lower Driven by AUD Strength on Aussie CPI -- Market Talk

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0229 GMT [Dow Jones] The EUR was weaker against rivals in Asia trade, driven by strength of AUD following Australian inflation data, says a dealer at a Japanese bank. The EUR/USD falls to a low of 1.3458, while the EUR/JPY briefly touches 136.46, lowest since February 4. "There is no fresh cues in particular, but the euro is having ripple effect" from the decline in the EUR/AUD, says the dealer. 2Q Australian consumer prices were up 3.0% from a year earlier, precisely in line with economist estimates. The EUR vulnerable to further decline and the EUR/JPY may fall below 136, given uncertainty about the euro zone economy, possible monetary easing by the ECB and concerns about Ukraine tensions, says the dealer. (hiroyuki.kachi@wsj.com)

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0202 GMT [Dow Jones] The Aussie dollar jumped in Asian trade Wednesday from 1.0829 to as high as 1.0876 against its New Zealand counterpart--stalling around the 200-day moving average--after Australia's 2Q CPI rose 0.5% from the first quarter and was up 3.0% from a year earlier. The 2Q trimmed mean CPI came in at +0.8% on-quarter. Dow Jones technical analysis shows the 1.0876 high also roughly matches the 61.8% Fibonacci retracement of the 1.1034-1.0615 June 4-July 10 impulsive decline. Further upside in spot AUD/NZD may encounter resistance at 1.0936 (76.4% Fibonacci retracement). Spot AUD/NZD was recently at 1.0859 compared with 1.0833 in late New York trade Tuesday. (jerry.tan@wsj.com)

0200 GMT [Dow Jones] USD/PHP has entered the daily Bollinger downtrend channel that could accelerate the slide toward the round-figure trading barrier at 43.00. The U.S. dollar remains weak against Asian currencies despite risk aversion in Europe and the Middle East that has been driving demand for safe haven assets such as U.S. government **bonds**. The strong demand for U.S. Treasuries has depressed the yield on the benchmark 10-year note to 2.40%, thus dampening the appeal of holding the U.S. dollar. USD/PHP may stall near the base of the downtrend channel at 43.22 before heading lower. USD/PHP is now 43.29 from its Tuesday close of 43.40. (ewen.chew@wsj.com)

0137 GMT [Dow Jones] USD/THB continues to trade with a heavy tone but may start to look overstretched if it extends too far beyond the boundary of the lower Bollinger band (standard deviation 2) at 31.78. A pullback toward the top of the daily Bollinger downtrend channel at 32.00 may occur if the movement of the baht is deemed too extreme--profit-takers could rush in to take their money off the table, or the Bank of Thailand could step in to damp speculative pressure. The baht has been gaining steadily, culminating in an 8-month high of 31.72 versus the U.S. dollar on Tuesday, as the junta enforces peace and restarts the economy. USD/THB is now 31.77 from its Tuesday close of 31.74. (ewen.chew@wsj.com)

0135 GMT [Dow Jones] The Indonesian rupiah is higher against the U.S. dollar in Asian trade Wednesday morning following news that Joko Widodo has been declared the winner of Indonesia's presidential election by the election commission with a margin of 53%-47%. However, Credit Agricole CIB thinks that the rupiah will likely remain under pressure in the weeks ahead given the uncertainty after Prabowo Subianto has announced his intention to challenge the results at the Constitutional Court. But

Credit Agricole thinks a big sell-off in the IDR is unlikely. Spot USD/IDR was last at 11,520 compared with 11,590 late Tuesday. (jerry.tan@wsj.com)

0129 GMT [Dow Jones] USD/MYR needs to stay below 3.1730 by day's end in order to remain inside the daily Bollinger downtrend channel. If this bearish technical signal is nullified, it might be less likely that the ringgit will strengthen versus the greenback in the near term. The dollar's direction appears mixed currently, rising against the majors overnight but trading weaker against most Asian currencies. The overnight rally of U.S. stocks ought to keep investor sentiment positive in Asia and should therefore boost appeal for the ringgit and its peers. USD/MYR is now 3.1735 from its Tuesday close of 3.1740. (ewen.chew@wsj.com)

0125 GMT [Dow Jones] USD/KRW has dropped out of the daily Bollinger uptrend channel and may now aim for a break of the daily Ichimoku Cloud support at 1,022 that could spark a sharper downside move in the near term. If this level is breached, the long-USD positions may look precarious to technically-motivated traders--who might then decide to cut their positions or even turn short. The U.S. dollar has been subdued of late as the benchmark 10-year Treasury yield drops to 2.40%, thus depressing the greenback against most Asian currencies. Investment bank economists continue to clamour for an interest rate cut by the Bank of Korea, possibly at its August meeting; the won's steep fall over the previous two weeks was due to speculation of the rate-cut. USD/KRW is now 1,023.2 from its Tuesday close of 1,024.4. (ewen.chew@wsj.com)

0124 GMT [Dow Jones] The New Zealand dollar is trading in subdued fashion against the greenback in Asia Wednesday as markets await the Reserve Bank of New Zealand's interest rate decision (due at 2100 GMT). Credit Agricole CIB says that despite lower-than-expected NZ second-quarter inflation data, it believes the RBNZ will go with another hike as there was no sign of any shift to a less hawkish stance in the last meeting despite downward revision in inflation forecasts. Still, Credit Agricole thinks there will be less hawkish language from the central bank this time round, suggesting an imminent pause in the rate-hike cycle. Spot NZD/USD was recently at 0.8661 compared with 0.8665 in late New York trade Tuesday. (jerry.tan@wsj.com)

0123 GMT [Dow Jones] Nymex crude is lower in early Asian trade Wednesday, after dropping overnight partly due to the expiration of the WTI August contract, ANZ says. Late Tuesday, the API said U.S. **oil** stockpiles for the week ended July 18 fell by 555,000 barrels, while gasoline and distillate stocks grew. The U.S. EIA inventory report is due later Wednesday and analysts expect stockpiles to have dropped by 2.5 **million** barrels. "The Brent market remains relatively subdued and complacent regarding the potential supply ripple effects related to increased sanctions against Russia over events in Ukraine, or...Iraq, or...Libya," analyst Tim Evans at Citi Futures says. Nymex crude is down 25 cents at \$102.14/bbl, Brent crude is flat at \$107.33/bbl. (eric.yep@wsj.com)

0123 GMT [Dow Jones] IG Securities advises caution on the EUR/USD pair, which may test further downside. The EUR weakens against major rivals due to a possible divergence of monetary policy between the ECB and the Fed, rather than geopolitical instability stemming from Ukraine, says IG Securities' Junichi Ishikawa. NY **gold** prices and **oil** futures recover overnight but major euro-zone stock markets rebound, despite concerns about sanctions against Russia. If the EUR/USD breaks below 1.3450, where many bids are placed, the pair is very likely to accelerate a fall toward 1.3400. The EUR/USD is now at 1.3470 against 1.3465 late Tuesday in New York. (hiroyuki.kachi@wsj.com)

0111 GMT [Dow Jones] **Hong Kong** equities are seen facing pressure in early trading after the city's benchmark index hit an eight-month high on Tuesday and a potential bond default on the mainland rattles investors. The Hang Seng Index gained 1.7% yesterday to 23782.11, the highest level since December, and index futures are retreating ahead of the market open, down 0.4%. A looming CNY400 **million** bond maturity by Huatong Road & Bridge Group Co., which has warned that it may default on both principal and interest payments, may garner most attention: "In **China**, market focus will squarely be on the maturing bond of Huatong construction **company**," says Societe Generale. Investors are also positioning ahead of Thursday's release of HSBC's preliminary **China** manufacturing PMI for July. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0040 GMT [Dow Jones] The Nikkei is up 0.04% at 15348.98, stuck in a narrow 30-point band so far. Downside is supported by buying from domestic retail and institutional investors, while few keep on buying the upside, says Hideyuki Ishiguro, senior strategist for investment strategy at Okasan Securities. For the Nikkei to break out of the recent trading range, further improvement in overseas markets or solid Japanese earnings results are necessary, he says. Japanese companies are starting to report their April-June results this week. Some market participants are concerned about Japan's corporate outlook after seeing sharp falls in recent machinery orders, he says.

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(END) Dow Jones Newswires

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