

HD Risk Aversion to Hit Asian FX, Says Credit Agricole -- Market Talk

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0106 GMT [Dow Jones] Risk appetite is likely to be undermined during trading in Asia, Credit Agricole CIB says, upon news that Malaysia Airlines Flight 17 with 298 people on board was shot down in Ukraine. The bank says a light data calendar ahead of the weekend will add to safe-haven flows, where the HKD and SGD should benefit. Indeed, spot USD/SGD was last at 1.2423, down from 1.2436 in late New York trade Thursday; spot USD/HKD was at 7.7505 versus 7.7509 late Thursday. (jerry.tan@wsj.com)

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0106 GMT [Dow Jones] Shares of Yaskawa Electric (6506.TO) are up 2.9% at Y1,365 following its robust earnings results announced Thursday, says Hideyuki Ishiguro, senior strategist for investment strategy at Okasan Securities. Its April-June group net profits grew 32% to Y4.47 **billion** from a year earlier. The **firm** expects to generate Y17.5 **billion** profits in the fiscal year ending in March 2015. Mr. Ishiguro says the results are "a pleasant surprise" for the **company** that has missed market expectations in the past. Macquarie Capital Securities has an Outperform rating on Yaskawa with a Y1,400 target, assigned Thursday.

(kosaku.narioka@wsj.com)

0054 GMT [Dow Jones] The outlook for lamb and beef markets is optimistic with lamb prices up 9% over the last season and beef prices now about 5% higher than they were a year ago, says ASB economist Nathan Penny in a note. "While lamb markets take a breather over the Northern summer, we expect lamb price increases to kick back into gear as we get closer to Christmas." He says that the tight supply in New Zealand and Australia for lamb coupled with improved demand from the UK and growth demand from **China** are still in play. He says beef prices remain rock solid as the U.S. beef market continues to look to imports to fill the gap being left by tight supply. "While this opportunity continues in what is NZ's largest export market, beef prices are likely to remain well-supported over the remainder of 2014 and into 2015." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

0048 GMT [Dow Jones] Australian monetary policy considerations comes down to a waiting game, says Sally Auld, debt strategist at JPMorgan. Whether or not rate cuts are forthcoming will ultimately come down to how much of a downward revision the central bank is forced to make to growth and inflation while waiting for the U.S. dollar to rally, Ms. Auld says. "The problem is that the Fed seems committed to another year of zero policy rates while inflation is turning up, implying falling real yields and hence lack of U.S. dollar strength." JPMorgan believes this means that if rate cuts are delivered, they are more likely to come in the fourth quarter of 2014 or the first quarter 2015. (james.glynn@wsj.com)

0048 GMT [Dow Jones] The risk-sensitive Australian dollar fell against the yen in early Asian trade Friday to 94.36, its weakest since June 2, extending Thursday's losses on mounting worries over the conflict in Ukraine. The cross has since rebounded more than 20 pips to 94.61 as the 94.36 low is near support provided by the 61.8% Fibonacci retracement of the impulsive advance from the May 21 low of 92.99 to the July 1 high of 96.50. However, the near-term technical picture for AUD/JPY remains bearish. A

breach of the Fibonacci support would open the way down to the 200-day moving average, coming in now at 93.71. Spot AUD/JPY was recently at 94.56. (jerry.tan@wsj.com)

0045 GMT [Dow Jones] Australia's S&P/ASX 200 is down 0.5% at 5494.4 after a Malaysian Airlines jet was shot down near the Russia-Ukraine border, and Israel invaded Gaza. It's faring better than the U.S. market as investors await further developments. "Substantial rallies in U.S. **Bonds**, the Japanese Yen and **gold** are all pointers to the potential for this to be a significant 'risk off' event," CMC Markets chief market strategist, Ric Spooner says. "However, investors are now also very conscious of the fact that low interest rates are attracting buyers back into risk assets quickly." The materials sector is leading broad-based falls, with BHP (BHP.AU) down 0.9%. Banks are performing in line with the market, with CBA (CBA.AU) down 0.5%. **Gold** and **energy** companies are benefiting from higher **gold** and **oil** prices, with Newcrest (NCM.AU) up 3% and Woodside (WPL.AU) 0.4% higher. Qantas Airways (QAN.AU) is up 0.2%, outperforming offshore peers. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0044 GMT [Dow Jones] A 25bp cash rate hike from the RBNZ is widely expected next Thursday but Deutsche Bank thinks that the accompanying short policy statement will indicate the RBNZ expects to keep the cash rate unchanged for some time after this, Deutsche Bank says in a note. The note says the RBNZ will want to hold the cash rate to allow some time to pass to better assess the impact of the first 100 bps of policy tightening, as well as to better assess the outlook for housing, the exchange rate and commodity-based incomes. It adds that it thinks the statement will leave the market with the impression that a further increase in the OCR is very unlikely before the December; "Absent some rebound in dairy prices and, or decline in the exchange rate over coming months the next policy tightening will likely not take place until 2015." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

0042 GMT [Dow Jones] The Bank of Japan has so far put a brave face about lackluster exports, saying the Japanese economy can keep recovering even if exports remain sluggish, but the summary of discussions at its June 12-13 policy meeting suggest some board members are getting a bit nervous. The board at that meeting had a fresh round of debate over the "lack of momentum" in exports, the minutes show. There "a few members" expressed worries that "structural factors," such as Japanese firms' weakening competitiveness and increased overseas production, may be affecting exports "to a larger degree than expected." No one made such comments in the previous meeting in May, according to the minutes of that month. Economists have warned that capital spending--now a major growth driver for Japan--could eventually falter if exports fail to pick up, chilling the mood among manufacturers. Defying the BOJ's forecast for a rebound, exports fell 2.7% on year in May, the first fall in 15 months, and they were up a meager 1.1% in the first 20 days of June, government data show. (takashi.nakamichi@wsj.com)

0025 GMT [Dow Jones] Geopolitical risk aversion sentiment in the market, stemming from U.S. sanctions against Russia, as well as from the Malaysia Airlines (3786.KU) jet crash in Ukraine, will unlikely persist over the long term, says Osamu Takashima, chief FX strategist at Citigroup Global Markets Japan in morning note. But a jump in VIX fear gauge may suggest market turmoil over next several weeks. Risk aversion prompts falloff in the EUR/JPY, thus leaving concerns about downside risk of the USD/JPY. But weakness in EUR giving support to the USD, reinforcing the possibility that the USD/JPY pair will likely bottom out around year low of 100.75. The pair is now 101.23, compared with 101.17 in late Thursday in New York. (hiroyuki.kachi@wsj.com)

2353 GMT [Dow Jones] Nymex crude is likely to consolidate with a bullish bias near term after hitting an eight-session high of \$103.94/bbl this morning, Dow Jones technical analysis shows. The daily continuation chart is mixed as the MACD indicator is bearish, but the slow stochastic measure is rising from the oversold level. Resistance is at \$104.20 (July 8 high); a breach would expose the upside to \$105.53 (July 2 high), then to \$106.09 (July 1 high), \$106.19 (June 27 high) and \$106.81 (June 26 high). Support is at \$101.89 (hourly chart); a breach would temper the positive near-term view, exposing the downside to \$101.27 (Thursday's low), then to \$100.07 (Wednesday's low), \$99.01 (Tuesday's low), \$98.91 (May 5 low) and \$98.74 (May 1 swing low). August crude is up 56 cents at \$103.75/bbl on Globex. (jerry.tan@wsj.com)

2140 GMT - Investors preferring safety, after a Malaysian Airlines jet crashed in Ukraine, says BNZ currency strategist Raiko Shareef. USD/JPY lower early, currently at 101.1365. Shareef says investors have focussed on widespread reports that the plane was shot down, though who is responsible remains unclear. "The MH17 incident sharpens the attention of investors on bubbling risks elsewhere, too." He says there are concerns also about the situation in Gaza and worries that Huatong Road & Bridge Group could fail to repay the principal on a \$64.5M note due on July 23. Shareef says during the session developments on the geopolitical front will keep risk assets subdued. (lucy.craymer@wsj.com; @lucy_craymer)

17:29 EDT - North American cocoa grindings jumped 4.5% in Q2, to a near record 131,737 MTs, beating analysts expectations of a 2% to 3% rise. But while demand for the key chocolate ingredient is heating

up, things aren't looking so hot across the pond. The 2Q European cocoa grind fell 0.7% on the year, to 307,938 MTs. While a slight decline, the market accounts for 40% of the global cocoa processing and is almost three times as large as North American processing, which could have an outsize effect on supplies of the world's cocoa balance sheet. (leslie.josephs@wsj.com; @lesliejosephs)

(END) Dow Jones Newswires

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