

HD Australian Dollar Strength Not Spent Yet: CBA -- Market Talk

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0405 GMT [Dow Jones] The Australian dollar has held above the critical support zone of US\$0.9200 this week, which affirms the view that there is more upside in the currency over time, says Commonwealth Bank of Australia's global head of currency strategy, Richard Grace. With one eye on **China's** economy, Australia's biggest trading partner, Grace expects further downturns in the country's property sector to potentially rattle investor confidence and possibly cause some dips in the Australian dollar. However, he isn't concerned about the strength of **China's** economy longer term, which will also underpin support for the Australian dollar. The Aussie dollar is now at US\$0.9313. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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0405 GMT [Dow Jones] Taiwan government **bonds** are lower amid lingering concerns over the Fed's timing of potential rate hikes, says a local trader. Rising local shares are also weighing on local **bonds**. The trader says most market participants remain cautious before Federal Reserve Chairwoman Janet Yellen's speech at the economics policymakers' meeting in Jackson Hole, Wyoming, later in the global day. "But unless U.S. Treasuries fall sharply, the local bond market is likely to enter a consolidation phase," he adds. The five-year bond yield rises to 1.1730% from 1.1605% late Thursday; the trader tips the yield to trade between 1.1600% and 1.1800% for the session. The Taiex is 1.1% higher. (fanny.liu@wsj.com)

0404 GMT [Dow Jones] **China's** government still hasn't kicked its addiction to high-speed growth, says Li Wenpu, an economist at Xiamen University. "The government has been too focused on stabilizing economic growth in the short term, and doesn't have the **energy** to promote reform that's much needed for the **Chinese** economy," says Mr. Li. If he's right, **China's** years of high-speed growth could soon come to an end, as the country's capital-intensive growth model finally reaches its limits. (richard.silk@dowjones.com)

0403 GMT [Dow Jones] A cut in interest rates would do little to fix **China's** creaking financial system, says Feng Jianlin, a former economist at the National Development and Reform Commission who now runs his own **firm**, Beijing Fost Economic Consulting. "Small companies' borrowing rates from private lenders are as high as 10%-20%," says Mr. Feng. "Can you say a 0.2% interest rate cut would help that much? I don't think so." (richard.silk@dowjones.com)

0401 GMT [Dow Jones] **China** shares rise by midday break with banks stabilizing following recent losses, say analysts. The Shanghai Composite Index rises 0.2% to 2235.80 and is tipped to be capped at 2250. The market has consolidated for weeks and a breakthrough will need higher trading volume and further gains in heavyweight stocks, such as banks, says Li Xiaoxuan, an analyst at Shenyin & Wanguo Securities. Banks rise on bargain-hunting after recent losses; Bank of Beijing (601169.SH) climbs 1.4% to CNY7.10. Strength in media firms continues; People.cn (603000.SH) adds 4.9% to CNY46.31. The Shenzhen Composite Index gains 0.4% to 1228.88. (amy.li@dowjones.com)

0351 GMT [Dow Jones] The Reserve Bank of Australia will remain in a holding pattern until at least mid-2015, says Paul Brennan, chief economist at Citigroup. A shift back to an easing bias, that markets

still see as likely, would require a significant further decline in inflation and rise in unemployment, he adds. "[RBA Gov.] Stevens has set a high bar to changing from the neutral policy bias." Even though the unemployment rate jumped to 6.4% in July, Stevens is of the view that "most leading indicators of the labor market seem to have improved a little this year," he said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0345 GMT [Dow Jones] Credit Agricole CIB believes the chance of a system-wide cut in **China's** reserve requirement ratio, or RRR--the amount that banks must keep with the central bank--has increased to 35% from 25%. While CA CIB expects that July's dramatic drop in credit will turn out to be a monthly blip, the parade of bad news of late increases pressure on Beijing to stimulate the economy with more fiscal spending and a looser monetary policy, it said. Virtually every indicator other than exports was down in July, including retail sales, industrial output, electricity consumption, electricity production, government revenues, cargo traffic and imports.(Mark.Magnier@WSJ.com; Twitter at @MarkMagnier.)

0330 GMT [Dow Jones] The yuan is unexpectedly weaker for a second day despite the People's Bank of **China's** benchmark daily rate set stronger vs. the U.S. dollar Friday. There has been a bout of yuan selling for option-contract hedging owing to the yuan falling below 6.1500 in the offshore market, a trader at an investment bank in Singapore says. Also, **oil** importers are said to have bought possibly around \$2 **billion** in the onshore market during the closing minutes of Thursday's session leaving interbank dealers caught short at Friday's opening, he says. Dealers are playing it safe and squaring up shorts because of the chances of being caught off guard by U.S. Federal Reserve Chairwoman Janet Yellen's post-Jackson Hole statement, the trader says. USD/CNY is now 6.1595 from its Thursday close of 6.1514. (ewen.chew@wsj.com)

0328 GMT [Dow Jones] Australian corporate results so far this earnings period have generated more downgrades than upgrades by Citi analysts, according to an analysis by the broker. Of the 152 companies covered by Citi, 77 had reported their results by Thursday. Citi analysts subsequently downgraded their ratings for 10% of those companies, while upgrading just 3%. FY15 EPS estimates were downgraded for 25% of the companies covered, almost double the percentage of upgrades. In terms of FY14 earnings, 17% were above expectations, and 17% were below. Reactions from Citi analysts have been overwhelmingly neutral, albeit more negative than positive. S&P/ASX 200 last up 0.3% at 5667. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0306 GMT [Dow Jones] A business investment recovery in Australia is set to be a story for 2015, not 2014, says Paul Brennan, chief economist at Citigroup. Non-**mining** business investment will pick up more solidly by the second half of next year, by which time revenue growth should be stronger than it is currently so that companies won't need to focus as much on cost savings, he said. Still, **mining** investment will be a drag on economic growth next year of around of 1 percentage point of GDP growth as some large gas projects are completed. "We continue to expect only a mild acceleration in growth during next year," Brennan added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0303 GMT [Dow Jones] The Nikkei is up 0.1% at 15598.71 midday on continuing thin volume. The broader Topix is weaker however, after falling the prior session as well. "There is still some buying in undervalued and so-called laggard sectors such as banks and brokerages, but overall a lack of trading incentives, combined with reticence before (U.S. Fed Chairwoman) Yellen's speech is enough to keep people out of the market," says an **equity** trading director at a European brokerage. Trading volume is just 865 **million** shares--on pace for one of the lightest tallies of the year. SoftBank (9984.TO) is up 0.6% at Y7,399 and Mitsubishi UFJ Financial Group (8306.TO) leads banks, up 0.5% at Y604. The Topix is down 0.1% at 1290.57. (bradford.frischkorn@wsj.com)

0302 GMT [Dow Jones] Indonesian shares trade 0.1% lower at 5201 early Friday, not obviously affected by an after-hours court ruling on Thursday evening that cleared the way for president-elect Joko Widodo, or Jokowi, to set up a government. Election runner-up Prabowo Subianto had challenged the election result, but Indonesia's constitutional court rejected the move. Despite the slow start to Friday's trading, analysts remain upbeat. "We expect [the] market to stay positive today," Trimegah Securities says, adding that the court's decision was widely expected. Early gainers include PT Indofood CBP Sukses Makmur (ICBP.JK), up 0.5%, while large-cap losers are led by PT United Tractors (UNTR.JK), down 1.1%. (jake.watts@wsj.com; @jmwatts_)

(END) Dow Jones Newswires

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