DOW JONES NEWSWIRES

HD **AUD Remains a Buy on Dips Despite Weak Jobs: Credit Agricole -- Market Talk**

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0131 GMT [Dow Jones] Mixed labor data has been keeping the Australian dollar under pressure recently, Credit Agricole CIB says. But the bank doesn't expect the latest news to make the Reserve Bank of Australia turn more dovish because it has already anticipated additional labor-market weakness. Credit Agricole says RBA rate expectations are unlikely to change considerably and the currency will be driven more by international risk sentiment. The bank expects that to stabilize again and, accordingly, "the AUD should be bought on dips--for instance against the USD," the bank says. Spot AUD/USD was recently at 0.9383 compared with 0.9390 in late New York trade Thursday. (jerry.tan@wsj.com)

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0128 GMT [Dow Jones] Get ready for the Bank of Korea to cut interest rates to 2.25% next month, says Societe Generale, having previously forecast that the central bank would remain on hold throughout this year. "We now expect the BoK to cut its policy interest rates by 25 bps in August, although the monthly policy statement and the quarterly revision of the economic outlook do not support further monetary easing," SocGen says. "However, Governor Lee's comment that downside risks to growth are bigger than upside risks and his ambiguous responses to the questions about a rate cut at the press conference prompt us to change our previous forecast of no policy changes throughout this year. It seems that the government is strongly pressing for policy cooperation." Korea's central bank held rates at 2.5% on Thursday. The Kospi is down 0.8% to 1987.36 this morning. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0128 GMT [Dow Jones] USD/TWD could break out of the daily Bollinger downtrend channel that caps at 29.940 as the U.S. dollar rises broadly on risk aversion stemming from Europe. Investors may trim risk-on short-USD positions heading into the weekend as bank woes in Portugal and poor industrial output data in France and Italy stifle investor optimism. If USD/TWD ends Friday above 29.940, there is a stronger chance that it will rebound to the Bollinger uptrend channel at 30.050 in the near term. The increasing price difference between the benchmark 1-month nondeliverable forward contract in the offshore market and that of the spot contract onshore indicates a bullish dollar sentiment is taking root. USD/TWD is now 29.930 from its Thursday close of 29.950. (ewen.chew@wsj.com)

0123 GMT [Dow Jones] Malaysia's ringgit fell to 3.1800 versus the U.S. dollar from around 3.1700 late Thursday in a classic 'buy-the-rumor-sell-the-fact' situation after the Malaysian central bank announced a 25 basis point rise in the Overnight Policy Rate. The decision was mostly expected and thus market participants had already positioned for it. While the rate hike will likely be seen as positive by credit rating agencies and long-term investors, the pullback of the ringgit was mainly due to profit-taking on positions that were placed earlier. The central bank had hinted at a rate increase on various occasions previously. USD/MYR is now 3.1830 from its Thursday close of 3.1800. (ewen.chew@wsj.com)

0116 GMT [Dow Jones] The rupiah runs out of steam as the kneejerk reaction to the apparent victory for Joko Widodo in the presidential elections fades. USD/IDR has rebounded from Thursday's 2-month low of 11,500 to its current 11,620--within the daily Ichimoku Cloud resistance zone. If USD/IDR ends Friday above the Cloud's ceiling at 11,660, more rupiah weakness could follow. A similar pullback was seen in Indonesian stocks Thursday as the equity index slipped from a peak 2.8% intraday gain to end just 1.5%

higher. A victory for Mr. Widodo, while largely positive for businesses and foreign investors, could be marred by a lack of a legislative majority that would impede reforms. USD/IDR is now 11,620 from its Thursday close of 11,570. (ewen.chew@wsj.com)

0113 GMT [Dow Jones] Hong Kong equities look set to join a rout on global markets as concerns grow around Portugal's banking sector, after news that the parent company of Banco Espirito Santo (BES.LB) missed payments on commercial paper sparked a sell-off of the bank's shares. Hang Seng Index futures are down 0.5% ahead of the market open, after the benchmark rose 0.3% to 23238.99 on Thursday. Investors take positions ahead of the release of Chinese 2Q GDP numbers on Wednesday, with improving PMI data raising expectations for some. "We now see 2Q growth, due next week, to come in at 7.5% on-year, hitting the government's target," says Societe Generale, but adds that doesn't reduce risks: "Chinese policymakers have a chance to guide the economy to a safer place, but the path will continue to be a precarious one." (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0057 GMT [Dow Jones] Volatility is rising in major asset markets with the epicenter in Europe where bank equities and peripheral bonds have come under pressure, Morgan Stanley says. The bank notes FX volatility is beginning to react and thinks higher volatility is likely to reduce flows into Europe and perhaps lead to outflows. Also, the bank thinks that a pick-up in volatility and a Bank of Japan on the sidelines should lead to JPY strength. Morgan Stanley recommends selling EUR/JPY with a target of 132.50 and suggests placing a buy-stop at 139.30 to limit losses. The bank says the key risk to this trade is if recent wobbles in risk are only short-lived. Spot EUR/JPY was recently at 137.83. (jerry.tan@wsj.com)

0053 GMT [Dow Jones] AUD/USD resilience to news that Portugal's Banco Espirito Santo (BES) missed debt payment hints at safe-haven characteristics, but it will suffer if volatility rises further in response to contagion worries, according to NAB. "Markets are left torn between viewing this news as BES-specific or something more systematic," says Ray Attrill, NAB's Global Co-Head of FX Strategy. He notes that the most likely solution is a state-brokered rescue deal for BES, but cautions that volatility is unlikely to subside quickly. Also, restraining the Aussie is rising expectations of another interest rate cut between February and April 2015, after the domestic jobless rate hit a fresh 11 year high of 6.02% in June. AUD/USD last at 0.9388. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0048 GMT [Dow Jones] The USD/JPY's levels at 100.00-101.00 will offer a good chance for long-term investors willing to bargain-hunt on the USD, says Yunosuke Ikeda, head of FX strategy at Nomura Securities. The pair fell as low as 101.06 overnight due to stop-loss sales amid concerns about the health of a Portuguese bank. In the near term, since there aren't many speculative JPY short positions left, the scope for the JPY to rally on the back of risk-off sentiment could be limited. Factors favoring JPY sales remain in place, including expectations of a rise in U.S. interest rates, a shift in investment strategy by Japan's pension funds into riskier assets, and Japanese commercial demand for selling JPY, Mr. Ikeda adds. The pair is steady at 101.32 despite some weakness in the benchmark Nikkei Share Average in early trade.(tatsuo.ito@wsj.com)

0038 GMT [Dow Jones] Australian May housing finance approvals data are due at 0130 GMT. The median estimate of 19 economists surveyed by the WSJ is for a 0.5% fall in the number of owner-occupied finance approvals, and the range is -2% to +1%. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0033 GMT [Dow Jones] Scentre Group (SCG.AU), the company that has all the Australian and New Zealand shopping malls once owned by Westfield (WFD.AU), is a stand-out among domestically focused Australian REITs, says Deutsche Bank, which initiates coverage with a buy recommendation and A$3.65 price target vs. the A$3.20 latest trade. The market still isn't recognizing the value of Scentre's development and property management platform, the broker says, while looming assets sales worth around A$1.2 billion to reduce debt levels won't be the earnings killer some people expect, it adds. (Ross.Kelly@wsj.com)

0028 GMT [Dow Jones] Australia's S&P/ASX 200 is down 0.4% at 5444.1, matching an overnight fall in the S&P 500, after Banco Espirito Santo deferred a debt repayment, pushing its stock down 18%. Banks and iron ore miners are weighing on the market, with the 4-major banks down 0.4%-0.5% and Rio Tinto (RIO.AU), Fortescue (FMG.AU) and Atlas Iron (AGO.AU) down 1.0%-4.8%. Focus now turns to domestic housing finance data at 0130 GMT. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

(END) Dow Jones Newswires

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