

HD AUD/USD Hits 2-Month Low on Rate Cut Speculation -- Market Talk**WC** 1,654 words**PD** 7 August 2014**ET** 15:56**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

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0556 GMT [Dow Jones] AUD/USD hit a 2-month low of 0.9263, down from 0.9350 this morning as rate cut speculation grew after unemployment surged to a 12-year high of 6.4% in July vs 6.1% expected. The interest rate swaps market is now pricing in a 38% chance of a 25 basis point cut by December, up from 16% before the jobs data. The market now has a 50% chance of a March 2015 interest rate cut, up from 20%. Goldman Sachs' September interest rate cut forecast now looks possible, although most economists are sticking to their calls for a tightening next year. The May 2 low at 0.9203 is key technical support, a break of which could test Fibonacci retracement targets at 0.9083 and 0.8984. AUD/USD last 0.9273. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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0539 GMT [Dow Jones] The NZX-50 closes up just 0.1% at 5097.51 as the market continues to wait for companies to start reporting their FY results with Diligent (DIL.NZ) due to kick off the reporting season Friday, says Hamilton Hindin Greene broker Grant Williamson. Diligent was up 2.4% at NZ\$4.20. He says that Heartland NZ (HNZ.NZ) closes flat at NZ\$0.94 after it announced it expects net profit for FY14 to be approximately NZ\$36 million and at the upper end of a previous guidance range. Williamson adds that Gentrack (GTK.NZ) closes 5.6% higher at NZ\$2.25 after it assured investors late Wednesday it had been unaware it would not meet earnings guidance ahead of listing. lucy.craymer@wsj.com; Twitter: @lucy_craymer)

0534 GMT [Dow Jones] Australia's jobless rate has exceeded the US jobless rate for the first time since December 2006, hitting 6.4% vs 6.2% in the U.S. The comparison adds weight to the view that Australia merely delayed the effects of the global financial crisis, thanks to fiscal stimulus, a mining investment boom and policies that have protected the housing market. The RBA expects unemployment to peak this year, but if it stays high, households will have trouble servicing mortgages, house prices will falter, consumption will fall and the economy will need more stimulus. With the government in budget-repair mode, and the mining investment waning, the only lever to pull is monetary policy. While the RBA noted a recent fall in borrowing rates and continued strong house price growth, it expects sub-trend economic growth this year. With real wages growth negative and inflation near the RBA's target, bets on another interest rate cut are increasing. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0521 GMT [Dow Jones] USD/THB climbs to 32.23 from its Wednesday close of 32.16 implying a weaker baht despite Thailand's consumer-confidence index rising for a third straight month to 78.2 from June's 75.1. Although recent domestic data, including exports, continue to hint at economic recovery after the military coup in May the baht has declined owing to external pressures. The crises in Ukraine and the Middle East have whittled away at international investor confidence. Safe-haven assets rallied Wednesday suggesting an exodus from riskier, higher-yielding assets to more liquid but low-yielding ones such as the U.S. dollar. USD/THB is now 32.22 from its Wednesday close of 32.16. (ewen.chew@wsj.com)

0504 GMT [Dow Jones] USD/IDR is within the Bollinger uptrend channel -- a bullish chart indicator -- but remains capped by the ceiling of the Ichimoku Cloud resistance zone at 11,850. The greenback could take on a more bullish technical bias and target the round-figure trading barrier at 12,000 if it ends

Thursday above that level. High-yielding currencies in general have been slipping due to broad risk aversion due to geopolitical tensions. While Indonesia's Constitutional Court assesses the claims of presidential electoral fraud made by runner-up candidate Prabowo Subianto, the market doesn't expect much impact on the rupiah due to the low likelihood of a ruling in Subianto's favor. USD/IDR is now at 11,780 from its Wednesday close of 11,745. (ewen.chew@wsj.com)

0452 GMT [Dow Jones] Thailand's consumer sentiment continues to improve, with the confidence index in July at an 11-month high, rising for the third straight month, according to a survey conducted by the University of the Thai Chamber of Commerce. The latest index is at 78.2, up from June's 75.1. "The improvement of consumer confidence is attributed to political stability and the recent appointment of a new legislature that will pave the way for the selection of a new prime minister," says Thanavath Phonvichai, director at the university. (nopparat.chaichalearmmongkol@wsj.com)

0449 GMT [Dow Jones] Singapore's IPO market has been weak this year in part due to the limited range of new listings, says Nikko Asset Management senior portfolio manager Kenneth Tang. "If you look at some of the **business** models they are just not as attractive as we would like," says Tang, but adds that he likes the prospects of Indonesian **dairy** and poultry **company** Japfa Ltd.--expected to list in Singapore on Aug. 15--because the drivers for growth are in big regional trends such as the growing appetite for protein in Asia. Tang is most keen on Singapore stocks that can benefit from growth in external economies or from Singapore's economic restructuring toward high value-added industries. He expects the benchmark stock index to trade in a narrow range this year. (jake.watts@wsj.com; @jmwatts_)

0435 GMT [Dow Jones] USD/INR is down from Wednesday's five-month high of 61.52 as the chart reveals the dollar was overbought on an intraday basis. USD/INR has been hovering around 61.35 versus its last close of 61.50. The dollar's extension past the upper Bollinger band (standard deviation 2) on Wednesday indicated an above-average surge in volatility that is usually followed by a pullback or consolidation. The safe haven U.S. dollar has been rising as investors shun high-risk assets on fears of military escalation in Ukraine as well as in the middle east. Adding to negative-rupee pressures, India's central bank said Tuesday that it might cut interest rates as soon as inflation subsides. Reducing the interest rate would make the Indian rupee less appealing to yield-seekers. USD/INR is now 61.32 from its Wednesday close of 61.50. (ewen.chew@wsj.com)

0421 GMT [Dow Jones] **Hong Kong** equities slump in the morning session led by sharp declines for casino stocks. The Hang Seng Index slips 0.5% to 24458.06, while H-shares move in step; the Hang Seng **China** Enterprises Index is down 0.5% to 10928.74. "The uptrend of **Hong Kong** stocks has slowed down this week," says UOB-Kay Hian, citing rising fears of geopolitical risks in Russia. "Despite [the] limited impact on **Hong Kong** stocks, the market took the opportunity to have a pullback." Casino stocks plummet, leading declines as Galaxy Entertainment **Group** (0027.HK) falls 5.4% to HK\$60.05 and Sands **China** (1928.HK) loses 6.1% to HK\$52.15. "This is only the beginning we think," says Reorient **Group**. "Deteriorating fundamentals, bullish Street analysts and still crowded longs will equate to lower stock prices." (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0417 GMT [Dow Jones] BBY upgrades Tabcorp (TAH.AU) to **buy** from underperform after stronger-than-expected FY14 results and an increase in the FY15 target payout ratio to 90% of net profit from 80% previously. Target price rises 15% to A\$4.03. TAH last up 2.9% at A\$3.55. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0407 GMT [Dow Jones] **China** shares fall by the midday break, extending a correction into a third consecutive session, as investors pause following recent gains and await fresh catalysts, says Tang Yonggang, chief investment adviser at Hong Yuan Securities. The Shanghai Composite Index drops 0.6% to 2204.33, and is tipped to trade around 2200 during the session. Tang tips the index to retreat to 2150-2200 before a fresh round of gains. While the PBOC drained funds from the money market for the second week, liquidity remains ample which could curb the downside, analysts say. **Coal** miners succumb to profit-taking following a surge; Shaanxi **Coal Mining** (601225.SH) eases 2.3% to CNY4.71. Financial stocks extend losses; New **China** Life Insurance (601336.SH) slides 2.6% to CNY23.94. The Shenzhen Composite Index is down 0.1% at 1175.67. (amy.li@dowjones.com)

0406 GMT [Dow Jones] Asian junk **bonds** start to feel the pain from the selloff in their U.S. counterparts. "**Bonds** with high concentration of U.S. ownership have suffered the most this week being off by 1.5-2.5 [points]" on average, says a Lucr Analytics report. "This has been driven by a more than 90 [basis points] increase in U.S. [junk bond] yields in the last five weeks." This comes as Asian junk **bonds** have been relatively resilient amid U.S. selloff. Those being hit hardest are the ones snapped up by U.S. investors earlier, including India's Greenko **Group** PLC, whose 5-year bond issued last week fell by 3 points; Casino operators Melco Crown and Wynn Macau have their **bonds** down 1.5 and 2.5 points, respectively, according to Lucr Analytics. (fiona.law@wsj.com)

(END) Dow Jones Newswires

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