DOW JONES NEWSWIRES

HD **Upside Risk To Australian Growth Outlook: Citi -- Market Talk**

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0435 GMT [Dow Jones] There is upside risk to the Reserve Bank of Australia 2014 GDP growth forecast, says Paul Brennan, chief economist at Citigroup, Australia. The RBA is now implicitly assuming quarterly GDP growth of 0.5% for the second quarter through to the fourth quarter and to finish the year at 2.5% yearly growth. But another improvement in business confidence and stronger-than-expected house price growth suggests that the risks to the RBA's forecasts are to the upside, Brennan said. "Stronger house price growth tends to act as a stimulus to the business cycle with businesses reporting the equal second highest confidence reading in over four years," he added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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0429 GMT [Dow Jones] The NZD/AUD weakens on AUD buying following the release of Australian business confidence data, says ANZ Senior FX Manager Sam Tuck. National Australia Bank's monthly business survey showed business confidence climbing for the fourth straight month in July to a 10-month high. This improved sentiment toward the AUD, which has been struggling following the release of disappointing jobs data last week, Tuck says. In addition, the NZD came under some pressure following the release of housing data that showed a pullback in house prices for the third month, he says. The pair is at 0.9087 vs. 0.9131 early this morning. Tuck puts support at 0.9040 to 0.9050, with initial resistance at 0.9110 to 0.9120 and further resistance at 0.9160 to 0.9180. (lucy.craymer@wsj.com;Twitter: @lucy_craymer)

0425 GMT [Dow Jones] Australia's S&P/ASX 200 hits a 3-day high of 5521.8 on broad-based gains as stronger domestic business confidence and conditions data magnify a recovery led by easing geopolitical risk. The local bourse is catching up to the S&P 500 after it rose 1.5% in the past two days versus a 0.9% fall in the S&P/ASX 200. "The ongoing global economic recovery, easy monetary policies and relatively good balance sheets for major companies means the bias for the market is still higher," says Morgans investment adviser Christopher Macdonald. "The geopolitical risks are still there, but after a 220 point retracement, there was room for good news to attract investment. I wouldn't be surprised if we see more down days later this week." Index last up 1.1% at 5517.2. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0421 GMT [Dow Jones] Japan's Ministry of Finance sells Y546.7 billion of 1.7% 30-year bonds with the lowest price of 100.40 yielding 1.679%; higher than market expectations for a lowest price of 100.35. Daiwa Securities strategist Keiko Onogi says that the auction result was smooth as 30-year bonds looked cheap compared to 20-year bonds and swaps. Yet concern about demand for JGBs maturing in over 25 years will likely continue though the end of the month as market participants have to digest issuance of 30- and 40-year JGBs greater than what the BOJ will likely offer to **buy** in the rest of August, she says. The bid-to-cover ratio improves to 4.06 from 3.12 at the last tender, while the tail is shorter at 0.07 vs. 0.14. The 30-year JGB yield falls on the result; the yield is down one basis point at 1.675%. (eleanor.warnock@wsj.com)

0418 GMT [Dow Jones] The latest housing sales data feel heavy, with the Real **Estate** Institute of New Zealand reporting that Auckland and Canterbury are dominating while the regions are flat-lining, says

Annette Beacher, head of Asia Pacific Research at TD Securities. The data show the national median home price eased to NZ$416,000 in July, down NZ$11,250 on the month. "Keep in mind that July is mid-winter for New Zealand, so the litmus test for the housing market will be the spring September report, not June-August reports," she says. Home sales peaked well over a year ago, Beacher notes, but she cautions against concluding that a cooler housing market means the RBNZ has finished its tightening cycling. "What it implies is that monetary policy doesn't have to enter the restrictive zone to cool housing, unlike past cycles." (lucy.craymer@wsj.com;Twitter: @lucy_craymer)

0412 GMT [Dow Jones] **Hong Kong** equities veer between gains and losses as investors wonder whether additional stimulus is needed to sustain last month's rally. The Hang Seng Index is down 0.1% to 24,615.06 at the end of morning trading, while H-shares move in line; the Hang Seng **China** Enterprises Index falls 0.1% to 10,026.28. "We are growing concerned that **China** might be closer to the end of its rally than the beginning and that additional stimulus will be needed to continue the uptrend," says CIMB. "However, we are not prepared to fight policy makers, momentum and flows." BlackRock says valuations still look attractive in Asia as **China**'s economy stabilizes, even if they have not proved immune to last week's sell-off. "Despite the recent weakness in equities, curiously investors continue to pursue emerging stocks in Asia: Good relative valuations are helping," the **firm** says. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0410 GMT [Dow Jones] A recurrent theme of Australian central bank Gov. Glenn Stevens is his complaint about a lack of animal spirits in business, says Annette Beacher, head of Asia-Pacific Research at TD Securities. Stevens has noted that businesses appeared to "sit around the table waiting for someone to do something" and he has appeared frustrated that the abundance of liquidity at record low borrowing rates wasn't sparking risk-taking in the **commercial** world, she adds. Today's solid rise in business confidence and conditions says that monetary policy has done enough, and the boost in animal spirits in this report could be the start of a positive feedback loop, Beacher says. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0353 GMT [Dow Jones] Shanghai shares are lower midday, as investors take a breather after Monday's rise, analysts say. The Shanghai Composite Index falls 0.2% to 2219.99, with support tipped at 2200. "Although the economy is slowly recovering, a broader variety of uncertainties, including the direction of **property** policy, debt issues and yuan's outlook, remain," says Hou Yuqi, a fund manager at HSBC Jintrust Fund Management Co. Financial firms are succumbing to profit-taking after recent gains on concerns about deteriorating loan quality. New **China** Life Insurance (601336.SH) slides 0.9% to CNY24.43, and **China** Merchants Bank (600036.SH) loses 1.4% to CNY10.93. The Shenzhen Composite Index is up 0.2% at 1193.63. (amy.li@dowjones.com)

0350 GMT [Dow Jones] J.P. Morgan economist Ben Jarman is cautious about the improving economic outlook implied by NAB's improved business survey for July, as it was narrowly concentrated in the construction sector. The sector is prone to "flighty changes in sentiment," he says, and is also less of a bellwether for hiring and inflation trends than are, say, services or retail. "For that reason we are cautious on today's result until the signal of better final demand conditions is corroborated in the official data for the third quarter," Jarman says. "Of course, surveys are supposed to be leading indicators, but we struggle to see what could have brought such a change in fortunes in July, and the finer details of the survey are not particularly instructive on this point." (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0341 GMT [Dow Jones] Australian house price growth is set to moderate as auction activity growth has ceased, says Paul Brennan, chief economist at Citigroup. The yearly pace of house price growth has remained at an elevated pace for longer than expected due to resilience in the pace of house prices in Melbourne and Sydney. Brennan still expects house price growth to slow in these cities. The government house price series showed a re-acceleration in price growth with a rise of 1.8% in 2Q, which exceeded the market consensus of a 1.0% gain and Citi's 1.5% forecast increase. Yearly house price growth still remains above 10%, Mr. Brennan added.(james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0320 GMT [Dow Jones] Australia business conditions surprisingly jumped to a 4-year high in July, despite an overvalued Australian dollar, driven by a lift in non-mining, according to a NAB survey. If sustained, it would be a positive signal that the economy is coping better with the uncompetitive currency than prior cycles, and is rebalancing, said Scott Haslem, chief economist at UBS Economics. Evidence in the NAB report that hiring intentions improved suggest the recent spike in the unemployment rate won't continue, Haslem adds. This suggests little pressure on the RBA to move rates near-term, so we still expect them to hold before hiking in Q215, said Haslem. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0306 GMT [Dow Jones] The USD/TWD consolidates in quiet trade, but traders say the pair is still likely to rise slightly due to foreign investor buying. The pair is at 30.003, little changed from 30.000 traded before the local central bank's suspected intervention Monday, which lifted it to 30.052 at the close of onshore trading session, traders say. A trader says easing geopolitical concerns are not affecting the USD/TWD. "Foreign investors' remittance of their stock dividends abroad is likely supporting the USD/TWD," the trader adds, and tips the pair to trade between 29.990 and 30.020 band for the session. The Taiex is flat. (fanny.liu@wsj.com)

(END) Dow Jones Newswires

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