DOW JONES NEWSWIRES

HD **BAML: RBA to Hold Neutral Stance, May Become More Cautious -- Market Talk**

WC 1,410 words

PD 27 June 2014

ET 13:42

SN Dow Jones Institutional News

SC DJDN

LA English

LP

0341 GMT [Dow Jones] The Reserve Bank of Australia will keep interest rates at record lows next week, but its statement may reflect the minutes of the May board meeting, which moved slightly to a more cautious tone, according to BAML. "Although we forecast that it will hold rates unchanged for an unprecedentedly long period there is scope for shifts in language to convey a somewhat less optimistic tone," economists Saul Eslake and Alex Joiner say. "In our view this may occur as the activity data flow soften over coming months. Yet markets will be disappointed by the RBA's lack of change in language on the exchange rate which we do not think will be altered unless a significant and sustained move in either direction occurs." AUD/USD last at 0.9426. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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0336 GMT [Dow Jones] The USD/JPY is quickly losing momentum in early afternoon trade, briefly touching one-month low of 101.41, due to the weaknesses in the Nikkei futures, says a Japanese bank dealer. The pair is now at 101.45 compared with 101.73 late Thursday in New York. "There appears to have been speculative selling, as the pair falls below overnight low in New York (101.49)," inviting stop-loss selling, says the dealer, but downside is firm around 101.30 due to a slew of bid around there. (hiroyuki.kachi@wsj.com)

0317 GMT [Dow Jones] China's yuan adds to Thursday's gains as month-end dollar purchases by importers has probably finished. The USD/CNY pair is at 6.2211 compared with 6.2251 Thursday. Traders ignored central parity--set at 6.1543 compared with 6.1538 Thursday. They are watching how much the yuan will strengthen moving into July as the market expects the currency to resume appreciation in the second half. Offshore, one-year USD/CNY NDFs are down at 6.2360/6.2390 from 6.2392/6.2432 late Thursday. (wynne.wang@dowjones.com)

0252 GMT [Dow Jones] Taiwan government bonds rise sharply, with investor sentiment boosted by Taiwan central bank's dovish comments Thursday, says a local trader. "The central bank governor Perng said he is comfortable with inflation below 2%, and that eased market concerns about a near-term rate hike due to increasing inflationary pressure," a trader says. But he says the bond market may need bigger driving force -- such as sharp declines in local stocks -- to lift bond prices higher. The 10-year bond yield falls to 1.5750% from 1.6000% late Thursday; the trader tips a near term support at 1.5650%. The five-year bond yield is at 1.1710% vs 1.1860% late Thursday and 1.1500% support is pegged. The Taiex edges down 0.1%. (fanny.liu@wsj.com)

0249 GMT [Dow Jones] The price reaction to the U.S. allowing some crude oil condensate exports seems to have run its course, allowing traders to turn their attention back to the broader fundamentals that show the U.S. oil market remains well supplied, analyst Tim Evans at Citi Futures says. U.S. oil inventories now cover 12.3 more days of supply than they averaged in the five years before the 2008 recession, he says. Total U.S. commercial petroleum inventories have increased by 82 million barrels since end-March, despite lower stocks in the Nymex delivery point of Cushing, Okla., he says. WTI crude is down 14 cents at $105.70/bbl, Brent crude is down 9 cents at $113.12/bbl. (eric.yep@wsj.com)

0240 GMT [Dow Jones] Asaleo Care (AHY.AU) shares debuted Thursday on deferred settlement basis at A$1.71 versus a prospectus range of A$1.55-A$1.80. The initial public offering of the toilet paper and diapers maker raised A$671 million at A$1.65/share. AHY last A$1.67. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0235 GMT [Dow Jones] Asaleo Care (AHY.AU)

0233 GMT [Dow Jones] A steep decline in South Korean industrial production means the country's faltering economy may struggle to hit the Bank of Korea's growth target, says ING, but a rate cut is unlikely. "We see downside risk to the Bank of Korea's 3.9% 1H14 GDP growth forecast but not enough to persuade the MPC to cut." ING forecasts 3.0% growth in 2Q. South Korea's industrial production fell 2.7% in May over the previous month compared with consensus estimates of a 0.1% decrease. Korea's Kospi is down 0.2% at 1990.91 in early trading. Korea's current account surplus also grew by more than expected in May, rising to $9.3 **billion** from $7.12 **billion** a month earlier.(gregor.hunter@wsj.com; Twitter: @gregorhunter)

0223 GMT [Dow Jones] The role of U.S. military advisors in Iraq will be restricted to preventing a security collapse around Baghdad and encouraging a more-inclusive Iraqi government, Eurasia Group's Middle East Director Ayham Kamel says. The U.S. is unlikely to conduct a broad counterinsurgency effort in Iraq in the near future, he says. Additionally, Tehran and Washington have different agendas for Iraq and may not coordinate military strategy or a political approach to the Iraq crisis, he adds. Iraq is the second-largest **oil** producer in OPEC and the ability of its government to protect **oil**-producing assets has been a concern for investors. WTI crude falls 18 cents to $105.66/bbl, Brent crude is down 11 cents at $113.10/bbl. (eric.yep@wsj.com)

0218 GMT [Dow Jones] The USD/TWD falls to its lowest level since Jan. 2, weighed by foreign investor and exporter sales, but the pair is supported by local central bank's suspected intervention around 29.900, say two local traders. The pair is at 29.904, off its earlier low at 29.895, but still lower than 29.945 traded before the central bank's suspected intervention Thursday, which lifted it to 29.992--also the lowest onshore closing level since Jan 2, traders say. "The USD/TWD is likely to fall further if there are more foreign funds flowing into local stocks," a trader says, and tips the pair to trade between 29.860 and 29.930 for the session. The Taiex edges down 0.1%. (fanny.liu@wsj.com)

0214 GMT [Dow Jones] Japan's government puts on a brave face after an unexpectedly sharp tumble in household spending in May, saying it is within expectations, but the data does challenge the view that the impact from a sales tax hike three months ago is manageable. The 8.0% drop in spending is nearly double April's fall, four times bigger than expected, and the worst since the aftermath of a major earthquake in March 2011. The fall is also much sharper than seen after previous tax changes. Spending fell only 2.1% in May 1997, one month after the sales tax was previously raised; in May 1989, a month after the sales tax was first introduced, spending declined 2.9%. The Ministry of Internal Affairs and Communications emphasizes that spending actually rose in May if you strip out some components, such as housing- and auto-related consumption. But whether that means anything is hard to tell, because the ministry offers no comparable figures for May 1997. Japan's economy entered a recession in June 1997. (takashi.nakamichi@wsj.com)

0212 GMT [Dow Jones] The pace of Japan's CPI increases is expected to keep shrinking in the near term due to tapering effects of the yen's fall, says Mizuho Securities chief market economist Yasunari Ueno. He also expects the increases to be below 1% in the October-December period. Japan's core CPI rose 1.4% on year in May after stripping out the effect of the higher sales tax, compared with a 1.5% increase in the previous month. Ueno says one downward pressure includes the introduction of fixed mobile phone charges, whose impact has already been seen on the Tokyo index for June--an indication of the likely inflation trend for the whole country in the following month. (megumi.fujikawa@wsj.com)

(END) Dow Jones Newswires

June 26, 2014 23:42 ET (03:42 GMT)

CO rbkaus : Reserve Bank of Australia

IN i81401 : Central Banking | i814 : Banking | ibnk : Banking/Credit | ifinal : Financial Services

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AN Document DJDN000020140627ea6r00099

