DOW JONES NEWSWIRES

HD **Nikkei +0.3% Midday; China PMI Nil Impact, But India PM Visit Felt -- Market Talk**

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0300 GMT [Dow Jones] The Nikkei is up 0.3% at 15468.24 midday in lackluster trading as the dollar remains firmly above Y104. China purchasing managers' index (PMI) data for August released mid-morning came in at 51.1, down from July's 51.7, but had almost nil impact on overall trading. "Foreign accounts remain very quiet," says an equity trading director at a European brokerage. "(Indian Prime Minister Narendra Modi's) visit to Japan is generating some individual buying interest in names such as Nidec (6594.TO) and Ryohin Keikaku (7453.TO), but there is a lack of overall market drivers at the moment." Nidec is up 1.9% at Y6,758 on a report that the firm will invest heavily in Indian factories, while Ryohin Keikaku is up 1.3% at Y11,830 on separate reports that it will establish shops in India as early as 2015. (bradford.frischkorn@wsj.com)

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0242 GMT [Dow Jones] Japan's Government Pension Investment Fund (GPIF) "has much room to move" later this year ahead of the highly anticipated announcement of its asset-allocation change, says Nomura Securities chief FX strategist Yunosuke Ikeda in a morning note. Calculations shows the $1.2 trillion GPIF was taking wait-and-see attitude during the April-June period with an exception of about Y50 billion worth buying of Japanese stocks, contrary to popular belief among market participants. Tokyo bourse data shows there are no signs that the GPIF was accelerating its move in July and August and "it's very likely this will become a fresh incentive to set the mood for a weaker yen scenario among hedge funds." A shift in the GPIF's assets towards more foreign assets such as foreign bonds and stocks could help support a higher USD/JPY, as it purchases overseas assets unhedged.(hiroyuki.kachi@wsj.com)

0236 GMT [Dow Jones] Australia's S&P/ASX 200 is up 0.2% at 5636.4 after hitting an intraday high of 5654.0 in quiet trading during the U.S. Labor Day long weekend. The resilience of offshore markets to geopolitical risks from Russia's military involvement in Ukraine is supporting the Australian market, although it remains below a 6-year high of 5679.5 set almost two weeks ago. "I think markets are watching it cautiously, but while the general environment for equities remains positive, and there's potential for a quantitative-easing (stimulus) from the ECB, markets remain supported," says Macquarie Private Wealth division director Martin Lakos. "That's backed up by the recent earnings period which was mostly in line with expectations." Resources are outperforming, with BHP (BHP.AU) up 0.4% after spot gold rose 0.7% on Friday, recovering from a two-year low. High-yield stocks remain well supported, with Telstra (TLS.AU) up 0.5% and Scentre Group (SCG.AU) gaining 2%. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0236 GMT [Dow Jones] The USD/TWD is lower on continued foreign fund inflows and stronger local stocks, a local trader says. The pair is at 29.878 compared with 29.915 traded before the local central bank's suspected intervention Friday which lifted it to 29.970 at the close of onshore trading, traders say. "The weaker USD/CNY is also weighing on the USD/TWD but foreign investor sales [in USD] seem not as active as on Friday," a trader says tipping the local pair to trade between 29.870 and 29.890. The Taiex is 0.9% higher. (fanny.liu@wsj.com)

0233 GMT [Dow Jones] The proportion of higher-risk loans underwritten by Australia's banks is on the rise, which Moody's Investors Service cautions is negative as it weakens the credit quality of the lenders' portfolios. Recent mortgage data shows a rise in investment loans, interest-only loans and loans written outside normal criteria on serviceability, says Ilya Serov, vice president at Moody's. Although investment and interest-only loans performed well during the global financial crisis, they carry inherently higher probabilities of default. "Our expectation that interest rates in Australia will rise over the next 18 months means there is an increased likelihood of a payment shock for these borrowers at the end of the initial [interest-only] period," Serov says. Moody's notes Macquarie (MQG.AU) and regional banks such as Bank of Queensland (BOQ.AU), Bendigo & Adelaide (BEN.AU) and Suncorp (SUN.AU) have recorded notable increases in credit growth. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0233 GMT [Dow Jones] Today's **China** Purchasing Managers Index figures show that the economy hasn't shaken off impacts from a property slowdown, Julian Evans-Pritchard of Capital Economics says. "Broadly speaking, today's PMI reading suggests that downward pressure on the economy, as a result of slowing investment in sectors with over capacity, particularly property, is no longer being fully offset by policy support measures," he says in a note. However, the weakness should not be cause for significant concern, since it reflects a welcome correction in sectors that have suffered from over investment, he says. Both the official manufacturing PMI 51.1 and HSBC's final PMI of 50.2 came in lower in August than July. (liyan.qi@wsj.com)

0228 GMT [Dow Jones] Both **China**'s official August manufacturing PMI at 51.1 and HSBC's manufacturing PMI at 50.2 are lower than expected, indicating the economic recovery is still weak, says CIMB economist Zhang Fan. He says the government's supporting policies have been toned down in the third quarter of the year, compared with that of second quarter. Next, Beijing is expected to step up its fiscal policy to support economic growth with railway investment likely to pick up for the rest of the year, says Zhang. On the monetary policy front, the central bank is unlikely to ease its policy further and will stick to its targeted easing, given the rising bad-loan levels reported by banks and concerns over a buildup of debt, says Zhang. (grace.zhu@dowjones.com)

0222 GMT [Dow Jones] The USD/CNY is lower Monday even as **China** manufacturing data weakened in August. The pair is at 6.1413 compared with 6.1432 at Friday's close. The HSBC **China** Manufacturing Purchasing Managers' Index fell to a final reading of 50.2 in August from 51.7 in July--which was an 18-month high. "The weaker PMI data has had little effect on the spot market so far. It appears corporate dollar appetite is playing a bigger role in affecting the yuan," a Shanghai-based trader at a foreign bank says. "Many firms were buying up dollars last week which was the routine month-end demand for settlement purposes--and that has waned." The PBOC set central parity at 6.1680 Monday compared with 6.1647 Friday. Offshore, one-year USD/CNY NDFs are up at 6.2230/6.2280 from 6.2255/6.2270 late Friday. (esther.fung@wsj.com)

0222 GMT [Dow Jones] **Gold** is trading lower in early trading hours in Asia because of a stronger U.S dollar and greater investment interest in equities. Prices are expected to remain range-bound in the near term in the absence of any drivers except continuing tensions between Ukraine and Russia and some buying in India ahead of the start of the main festive season, traders say. Spot **gold** was trading at $1,286 an ounce, down from the opening price of $1,287.1 an ounce.

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0216 GMT [Dow Jones] South Korea's consumer inflation will likely have remained subdued in August to make more room for the Bank of Korea to cut its policy rate, says ANZ economist Raymond Yeung. He expects the consumer price index to have gained between 1.5% and 1.7% in August. The data is due on Tuesday. CPI rose 1.6% in July--lower than the BOK's annual inflation target band. "If the domestic sentiment fails to improve, another 25 basis-point cut before the year end remains possible," says Yeung. He adds a "strong easing bias" exists given Finance Minister Choi Kyung-whan expressing his concern about possible deflation. The BOK cut the base rate by a quarter percentage point to 2.25% in August to support the government's stimulus. (kwanwoo.jun@wsj.com)

0211 GMT [Dow Jones] South Korea's trade balance is still feeling the impact of weaker **Chinese** demand, says Credit Agricole. Korea's imports rise 3.1% on year in August compared with a 5.1% rise expected, while exports decline 0.1% compared with a forecast fall of 1.1%. Korea's surplus, widening to $3.4 **billion** from $2.4 **billion** in July, is "not enough to outweigh the negative impact of soft exports and weak **Chinese** data," says Credit Agricole. "The KRW may well ease as well." ING disagrees: "A large trade surplus is part of the economic fundamentals for Korea and we don't expect the in-line data to move financial markets," the bank says. The KOSPI Composite is down 0.1% to 2,066.69 while the Korean won strengthens 0.4% to 1,013.80 against the dollar. Markets also respond to the release of Korea's August PMIs, which signal the first expansion since April. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0152 GMT [Dow Jones] NZD/USD is gaining some ground but remaining largely rangebound after domestic 2Q terms of trade data was better than expected and an official gauge of **China**'s manufacturing activity was largely in line with expectations. "With no U.S. tonight, sideways was always going to be an option. The market appears happy to trade in a narrow range for now," says Stuart Ive, Wellington-based client advisor for OM Financial. The pair is at 0.8368 versus 0.8359 early in New Zealand. Ive says it has support at 0.8300 and resistance at 0.8415. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

(END) Dow Jones Newswires

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