

HD **Australia Inflation Pressures Flat in August -- Market Talk**

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0058 GMT [Dow Jones] The TD Securities-Melbourne Institute Monthly Inflation gauge was flat in August, after a 0.2% rise in July, pointing to a very modest 0.2% rise in the September quarter, or 2.5% on year. "The signal from our gauge is that inflation pressures have moderated in the quarter," TD Securities Head of Asia-Pacific Research, Annette Beacher says. Inflation near the middle of the RBA's 2%-3% range gives no urgency to lift interest rates despite buoyant house prices. AUD/USD last 0.9331. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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0054 GMT [Dow Jones] Australian banks' share of large business lending is being eroded by the continued advance Down Under of Asian-owned banks, says Credit Suisse. Peering into central bank data, the brokerage says Asian banks have in the last two to three years steadily increased their share of lending to large businesses in Australia, providing a significant share of intermediated lending to the **mining** sector and more recently to the manufacturing sector. Still, the change is in the context of relatively stable trends for Australian banks across a more than decade-long time series, Credit Suisse adds. "Whilst we are less concerned about Asian banks' participation in syndicated lending during an era of quantitative easing, we are more concerned about any longer-term market share penetration into more relationship-style business," it says. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0046 GMT [Dow Jones] Australian house prices continued to rise sharply in the three months to the end of August as record low mortgage interest rates fanned boom conditions. Capital city dwelling prices rose 4.2% over the three months to August, with Melbourne leading the surge with a gain of 6.4%, beating Sydney on 5.0%, according to property research group RPData. The data highlights the dilemma confronting the Reserve Bank of Australia as it ponders risks linked to racing house prices and a recent rise in the unemployment rate to a 12-year high. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0542 GMT [Dow Jones] -- **Iron-ore** traders aren't expecting a recovery in prices any time soon, with pessimism stemming from lackluster demand from steelmakers, ANZ says. It says steel mills are restocking only "sporadically." **China** port stockpiles also have been building again "after showing signs of turning in early August," it says. Stocks are back above 110 **million** tons, or six to seven weeks of supply in the country, ANZ point outs. **Iron ore** rose 0.7% Friday to US\$87.90/ton. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2356 GMT [Dow Jones] -- Australia's S&P/ASX 200 should stay quiet during the U.S. holiday, although the market will be watching **China**'s official manufacturing PMI data at 0100 GMT and HSBC's final **China** manufacturing PMI at 0145 GMT. Barring any surprises there, the resources sector should benefit from the bounce in **iron-ore** prices. Spot **iron ore** rose 0.7% to US\$87.90 after last week's decline to a two-year low of US\$87.20. The broader market will be relieved that the major offshore **equity** markets didn't react to Russia's increased incursion into Ukraine. However, the Ukrainian situation remains tense, with Russian President Vladimir Putin calling for "Statehood" talks and the West threatening further sanctions. It's a big week for economic data, with domestic GDP due Wednesday and U.S. employment on Friday. Central banks are also in focus with the RBA meeting Tuesday and the ECB meeting Thursday. Index last 5625.9. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2335 GMT [Dow Jones] -- Activity across Australia's manufacturing sector contracted in August as the persistent strength of the Australian dollar put a dent in confidence. The Australian Industry Group's Performance of manufacturing Index fell 3.4 points to 47.3 in August from July, with a drop below a reading of 50 points indicating a decline in activity. Only the large food, beverages & tobacco and the smaller wood and paper products subsectors expanded in August. A decline in new orders during the month ended three months of promising expansion, the report said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2325 GMT [Dow Jones] The steep fall in **iron-ore** prices since January led Grange Resources (GRR.AU) not to pay an interim dividend, and J.P.Morgan doesn't think payouts will resume later this year either. That is despite Grange's cash balance remaining healthy at A\$109 **million** at end-June, representing around 40% of the **company's** current share price. J.P.Morgan had expected to declare a 1 cent/share dividend alongside its 1H results. The broker rates Grange, which reported A\$50 **million** underlying Ebitda for the six months through June, at overweight with 40% upside to its last traded share price of A\$0.165. (david.winning@wsj.com; @dwinningWSJ)

2317 GMT [Dow Jones] -- The USD/JPY likely will be stuck in the 103.60-104.50 range in Asia trade, with investors unable to move ahead of a slew of events later this week such as the European Central Bank's policy meeting and U.S. jobs data, says IG Securities market analyst Junichi Ishikawa. **China** PMI data are in focus, especially on how the AUD/USD will affect the USD/JPY. But "That will be short-lived," if any, he says. The pair is at 104.13 against 104.08 in New York late Friday. Mr. Ishikawa also says investors need to be cautious about downside risk of the EUR/USD to break below 1.3100, but the pair may be vulnerable to short-covering due to a lack of fresh cues during Asia trade. The pair is tipped in a 1.3100-1.3200 range and is now at 1.3134. (hiroyuki.kachi@wsj.com)

2320 GMT [Dow Jones] J.P. Morgan initiates Nine Entertainment (NEC.AU) at Overweight with a A\$2.42 target price. The broker favors Nine's strong FY15 TV revenue share growth outlook, forecasting a 0.8% increase to 39.5%, assisted by the **acquisition** of the Perth/Adelaide Metro TV stations and the positive effect of the Cricket World Cup. It also expects the **company** to be well placed in any future media consolidation. NEC last A\$2.06. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2313 GMT [Dow Jones] -- Although Virgin Australia's (VAH.AU) financial position gradually should improve, and it could reach break-even by FY17, its share price is being kept artificially high by its three big airline backers, says J.P. Morgan, which keeps an underperform recommendation on the stock. State-backed Air New Zealand, Singapore Airlines and Etihad own around 70% of the Australian carrier. Its moves to snatch market share from Qantas (QAN.AU) are working, but expensive. "While we believe that the transformation of Virgin Australia into a full service domestic carrier and its low-cost carrier in Tigerair will pay off in the medium term, we believe it may end up costing more to do so," the broker says. It lifts its share-price target to A\$0.35 from A\$0.30 vs. the shares' last trade of A\$0.415. (Ross.Kelly@wsj.com)

2302 GMT [Dow Jones] -- Credit Suisse lowers its forecast for Sandfire Resources' (SFR.AU) FY15 net profit by 13 **million** Australian dollars (US\$12.1 **million**) after the Australian **copper** miner outlines higher exploration and corporate expenses. It adds that the profit reduction would have been A\$9 **million** deeper were it not for a concentrate shipment that took place a few days after FY14 ended, even though production had occurred earlier. Credit Suisse expects Sandfire to report net income of A\$76.5 **million** in FY15, with a full-year dividend of 16.28 cents a share. That came after Sandfire unveiled a maiden dividend of 10 cents/share alongside its FY14 results. The broker rates Sandfire at underperform with a A\$5.72 price target. SFR last traded at A\$6.34. (david.winning@wsj.com; @dwinningWSJ)

2245 GMT [Dow Jones] -- National Australia Bank's (NAB.AU) exit from Great Western Bank is clearly capital positive over time, but capital won't be released ahead of expected substantial charges likely to be booked with the bank's fiscal 2014 results, says Credit Suisse. The brokerage anticipates a **sale** price for Great Western of 1.5 **billion**-2 **billion** Australian dollars (US\$1.4 **billion** to US\$1.9 **billion**), based on current valuations for U.S. regional banks, which isn't material for NAB beyond its significance as part of NAB's restructuring story. "This transaction will--perhaps prematurely--bring forward expectations as to what might be achievable in the U.K. with Clydesdale Bank." Credit Suisse has an outperform recommendation and A\$38/share target. NAB last traded at A\$35.20. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

(END) Dow Jones Newswires

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