DOW JONES NEWSWIRES

HD **Australian Shares Remain at Risk of Pullback: Bell Potter -- Market Talk**

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0104 GMT [Dow Jones] Australian shares remain at risk of a 5% fall due to global weakness in momentum stocks before expected interest rate hikes, and the prospect of a tough domestic budget and ex-dividend falls in banks next month, says Bell Potter managing director Charlie Aitken. He adds Amcor (AMC.AU), Fletcher Building (FBU.AU), IOOF (IFL.AU), Sydney Airport (SYD.AU) and Transurban (TSL.AU) to his list of vulnerable momentum stocks. "All five are multi-year momentum stocks with toppy near-term price action," Mr. Aitken says. "All five have investors who are sitting on large profits, which makes them vulnerable to profit taking." The S&P/ASX 200 struck a 6-year high of 5503.5 last week. Index last up 0.5% at 5447.7. (david.rogers@wsj.com; Twitter: @DRWSJ)

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0101 GMT [Dow Jones] **Hong Kong** equities are expected to make a flat start with Hang Seng Index futures unchanged ahead of the market open, with economists shrugging at the State Council's rollout of limited tax breaks for startups and a cut reserve requirements for rural banks. The Hang Seng Index closed up 0.1% yesterday at 22,696.01 after **China** reported GDP growth of 7.4% for the first quarter, beating estimates and dousing hopes of a big stimulus rollout to counteract slowing growth. The State Council's measures receive a tepid response from the Street. "The cut in RRR for certain county level rural banks might be viewed as the rumored RRR cut coming true. But this is an extremely limited targeted loosening," says Goldman Sachs. "We believe the impact on the overall economy will be too small to be meaningful." However, the investment bank anticipates more policy measures "until there are clear signs that the economy is on stronger footing." (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0054 GMT [Dow Jones] Morgan Stanley recommends selling NZD/USD with New Zealand **milk** prices declining further at the most recent GDT auction and domestic 1Q CPI coming in weaker than expected. "A nice drop in inflation may allow the RBNZ to be less hawkish, while an expected rise in U.S. yields as economic data improves can also pressure NZD due to its large external liability," the bank says. Morgan Stanley targets a move to 0.8100, and suggests placing a **buy**-stop at 0.8700 to limit losses. The bank says a key risk to this short-Kiwi trade is a hawkish RBNZ next week, which could de-emphasize the lower CPI print as a seasonal outcome. The RBNZ is scheduled to announce its policy decision at 2100 GMT April 23 (Thursday 9 a.**m**. NZ time). Spot NZD/USD was recently at 0.8644, up from 0.8623 in late New York trade Wednesday. (jerry.tan@wsj.com)

0045 GMT [Dow Jones] West Texas Intermediate crude prices for May delivery are edging higher in early Asian trading despite government data overnight showing the biggest one-week increase in U.S. crude-oil supplies in 13 years. "The ability of WTI to absorb an exceptionally bearish EIA storage build of 10 **million** barrels by holding above prior day lows attests to a significant amount of upward price momentum that was sustained today via fresh recent highs across the complex, favorable industrial production data and Ukraine concerns," oil trading advisory **firm** Ritterbusch & Associates says in a report. Trading in Brent crude appears to be showing "second thoughts about the magnitude of Libyan supply availability" and about geopolitical risk in Ukraine due to a lack of diplomatic success, Ritterbusch says. It expects the Brent-WTI spread to contract toward the $5/bbl area, but "a return to this region will be delayed by the huge U.S. crude supply build." May Nymex crude is at $103.96/bbl, up 20 cents, while June Brent crude is unchanged at $109.60. (arpan.mukherjee@wsj.com)

0035 GMT [Dow Jones] The Bank of Canada hasn't shut the door on rate cuts as it leaves policy rates unchanged at 1% on Wednesday and remains concerned about downside risks to already subdued inflation, ANZ bank says. While energy prices and a weaker CAD have seen the BOC raise its outlook for headline inflation underlying inflation is forecast to remain below the BOC's 2% target until the first quarter of 2016, the bank says. ANZ looks for USD/CAD to be pressured higher as the BOC will likely lag the U.S. Federal Reserve in any policy tightening unless there is an unexpected acceleration in underlying Canadian inflation. Spot USD/CAD hit an eight-day high of 1.1034 overnight following the BOC's statement and was recently at 1.1008. (jerry.tan@wsj.com)

2325 GMT [Dow Jones] Base metals could remain rangebound in cautious trading ahead of the long Easter holiday weekend. China's 1Q GDP data helped to support sentiment in the base metals market Wednesday--both LME 3-month copper and aluminum rose 1.2%, to $6,619/ton and $1,874/ton, respectively. "The better-than-expected figure has given us a relief rally here, but what is lacking at present is the momentum to break out of the current range," says Brenda Kelly, chief market strategist at IG. However, weaker industrial production data from China, the world's biggest consumer of base metals, "took the gloss off the GDP reading, indicating that demand may still remain weak even if Chinese growth does pick up," she adds. (arpan.mukherjee@wsj.com)

2323 GMT [Dow Jones] The Reserve Bank of New Zealand will likely raise rates another 25 bps next week "as New Zealand's economy remains on track to post one of the strongest growth rates in the OECD in 2014," says Paul Bloxham, HSBC Bank's chief economist for Australia and New Zealand. However, "a couple of factors could limit the extent of further rate hikes this year," he says. Bloxham points to a recent fall in dairy prices and notes the NZD has continued to strengthen which "should help contain cost pressures created by the boom in demand." Overall, "we see a hike of 25bps to 3.00% next week as highly likely. But we expect the cash rate to end this year at 3.50%, compared to the RBNZ's implied projection of 3.75% as a high NZD may do more of the work than the RBNZ is currently assuming," Bloxham says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2319 GMT [Dow Jones] Japan shares may stage a modest rise Wednesday, after U.S. Federal Reserve Chair Janet Yellen reaffirmed the central bank's commitment to keeping interest rates low, which kept U.S. shares well supported. "The Nikkei remains somewhat oversold, but could still see profit-taking if it rises to the 14,500 level," says SMBC Nikko Securities general manager of equities Hiroichi Nishi. The Nikkei surged 3.0% Wednesday to 14,417.68 on the back of a weaker yen and a big rally in shares of SoftBank (9984.TO). "Generally speaking, however, hopes for good earnings from both Japanese and U.S. corporates should keep the market afloat, although stagnation in the dollar could keep more sizeable gains in check," Nishi added. He put the index range for the session at 14,400 to 14,600. Nikkei 225 June futures ended yesterday's Chicago trading up 355 points at 14,465 vs their close earlier yesterday in Osaka at 14,420. (bradford.frischkorn@wsj.com)

2241 GMT [Dow Jones] New Zealand's NZX-50 is up 0.1%, or 6 points, at 5096.978, tracking a positive lead in the U.S. Asia is likely to follow suit, although disappointing quarterly earnings from Google Inc.'s (GOOG) and International Business Machines Corp.'s (IBM) after the bell may weigh on sentiment, says Brad Gordon, investment advisor at Macquarie Equities in Auckland. News China's State Council--the government's top decision-making body--is cutting the reserve requirement ratio for county-level rural commercial banks "is a first sign that China might look at reducing their reserve requirement ratios and that may have some positive impact on Australia" as well as the reserve of Asia, he says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

17:22 EDT - Morgan Stanley says most commodity-producing countries have channeled too many high-cost resources into creating commodity capacity, reducing the competitiveness of their non-commodity sectors. As commodity prices decline, real effective exchange rates will have to come down, undermining the asset side of carry trades involving those countries' currencies, MS says. "The notable decline in NZD seen during this last week provides a good example of what happens when an over-positioned carry currency is challenged by weakening fundamentals," it says. "For this reason, we sell NZD and CAD against USD." (don.curren@wsj.com; @dbcurren)

2114 GMT [Dow Jones] The NZD/USD is slightly higher early, recovering on the view weakness in NZ CPI Wednesday was due mainly to NZD strength. Markets have concluded "it would be circular to sell NZD as that would lead to higher inflation," says ANZ Bank. The pair is also benefiting from mixed U.S. data overnight and comments from Fed Chair Yellen, who indicated the Fed doesn't expect to meet its dual mandate for at least two more years, although the reaction to that was fairly muted, ANZ Bank says. The NZD/USD is at 0.8625 versus 0.8589 late Wednesday. ANZ Bank tips a short-term range of 0.8580 to 0.8710. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

16:28 EDT - Treasury prices chopping sideways since Yellen's early-afternoon remarks, with volume sliding through the US trading session. CRT Capital says trading wound up at just 80% of the market's recent average after starting off with strong overnight activity. The US bond market closes early at 2pm tomorrow and remains closed on Good Friday. The Treasury's auction of $18B in five-year inflation-protected notes will be conducted early at 11:30am EDT. Ten-year notes off 1/32 to yield 2.632%. (cynthia.lin@wsj.com; @cynthialin_dj)

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April 16, 2014 21:05 ET (01:05 GMT)

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