

**HD Asia Could Emulate U.S. Markets' Strength; Resources Likely To Support ASX -- Market Talk**

**WC** 1,420 words

**PD** 13 May 2014

**ET** 08:46

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English

**CY** Copyright © 2014, Dow Jones & Company, Inc.

**LP**

Contact us in Singapore. 65 64154 140; MarketTalk@dowjones.com

2246 GMT [Dow Jones] After a strong day in U.S. markets, expect Asian markets to see similar strength, Brad Gordon, broker at Macquarie Private Wealth in New Zealand, says. Rio Tinto and BHP performed well overnight after an upgrade by JP Morgan, which could see resource stocks **lead** the Australian market higher, Gordon says. There may also be some focus on the Australian budget due late in the day as "firms wait to see where they stand." Locally, Infratil's (IFT.NZ) FY14 results showed a net surplus of NZ\$199 **million** vs NZ\$3 **million** in FY13, due primarily to a net gain on its partial **sale** of Z **Energy**. The NZX-50 is up 0.5% at 5188.75. (lucy.craymer@wsj.com; Twitter: @lucy\_craymer)

**TD**

18:30 GMT - Credit Suisse keeps its outperform rating and A\$14.30 target price on QBE (QBE.AU), but says the insurer is being restrained by lower bond yields and AUD/USD strength, along with concerns it may write down US\$200M-US\$300M goodwill if it sells its US middle market business. Under that scenario, it estimates a 5% hit to gross written premium, offset by a higher than forecast insurance margin, albeit with one-off expense overruns, resulting in unchanged FY14 insurance margin guidance and a 4% downgrade to forecast net profit after tax. "QBE appears to be taking the correct action to turn around earnings and limit future downside risk," CS analyst Andrew Adams says. (david.rogers@wsj.com; @DRWSJ)

18:14 EDT - S&P downgrades Rhode Island **bonds** that backed Curt Schilling's now-bankrupt video game **company** 38 Studios to BBB from A and places a negative outlook on the state's general obligation and appropriation debt, on concerns about legislative support for repaying investors. While the \$75M in moral obligation **bonds** sold in 2010 to attract the **company** from Massachusetts isn't backed by the state's full faith and credit, failing to pay may result in a downgrade of all the state's debt, S&P says. Last week a report said such a downgrade would cost between \$38M-\$361.8M more than making payments on the **bonds**. The governor has included \$12.5M for that payment in his 2015 budget. (aaron.kuriloff@wsj.com)

2152 GMT - AUD/USD likely to be supported by the release of the Australian government budget later in the global day, says ASB Head of FX institutional Sales Tim Kelleher. "The market thinks the budget is going to be quite austere so that should be more bullish for the Aussie than anything else ... (because) austerity is sensible, there is no chance of a rate hike and the days of excess are over." The pair is at 0.9362. Kelleher puts support for the pair at 0.9325 with resistance coming in at 0.9375 to 0.9400. (lucy.craymer@wsj.com; @lucy\_craymer)

16:53 EDT - Direction for the NZD/USD will come from **Chinese**'s retail sales and industrial production releases, then US retail sales later in the global day, says ANZ. "**Chinese** data has been positive of late, and we would expect the April releases to point toward a steady **Chinese** economy, lending support to NZD." **Firm** adds that expectations for US retail sales for April are relatively low at 0.4%, "which leaves room for USD positive surprise." Pair last at 0.8621, from 0.8629 late last session. ANZ sees a short-term range of 0.8580 to 0.8650. (lucy.craymer@wsj.com; @lucy\_craymer)

16:36 EDT - HSBC pushes back its call for more stimulus from the Bank of Japan to April 2015 from some July this year. **Firm** says the central bank seems comfortable with a slow rise in inflation toward its 2% target and will tolerate 1% to 1.5% core CPI for a while, as long as there are no signs of deceleration from those levels. As such, HSBC says widespread calls for USD/JPY to trade at 110 by year-end is too pessimistic on the yen. **Firm** sees 101. Pair up 0.25% at 102.13. (cynthia.lin@wsj.com; @cynthialin\_dj)

15:10 EDT - Canada's dreadful jobs data for April had high-profile economist David Rosenberg musing the market would start pricing in bigger odds of a rate cut from the Bank of Canada if it was followed by more equally dire reports. The market appears to be wait-and-see mode at present. Desjardins notes the overnight-indexed swaps market is pricing in a 2% chance of a rate cut through each of the BoC's next three policy statements--June, July and September. That's lower than the 4% chance in June and 5% chance in July that OIS was pricing in on March 25. (don.curren@wsj.com @dbcurren)

15:08 EDT - The Indian rupee snaps to a 10-month high against the dollar, and shares in Mumbai hit at a record, as traders bet the coalition led by the perceived-as-market-friendly Bharatiya Janata Party will win elections wrapping up this week. Investors should be cautious about counting their chickens, though. Barclays notes Indian exit polls have a mixed record, pointing in the right direction in 2009, and botching things in 2004. In the wake of the 2004 result, shares crumbled 17% in two trading days, and the rupee slumped. The currency's already up 8.7%, and shares up 17%, in the last 12 months. How much room is left to rally? Barclays says not much, unless BJP wins with a very strong mandate. (matt.day@wsj.com)

15:08 EDT - Washington, D.C. may be paralyzed by partisan politics, but the U.S. federal budget situation continues to improve, thanks to the economy's growth. U.S. federal government records a budget surplus of \$106.9B in April. That was "somewhat smaller than our forecast and the consensus" of \$114B, according to Barclays Research, and a 5.3% decline from last April's surplus. Still, the deficit of \$487.6B for the first seven months of fiscal year 2014 is 37.2% smaller than the same period last year helped by a surge in revenues and a modest decline in outlays. Barclays predicts the deficit will continue to narrow, though at a slower pace than the last two years. (gregory.Zuckerman@wsj.com)

15:05 EDT - The shooting death of a Spanish provincial leader, in apparent retaliation for a recent dismissal, comes as workplace violence in the country is fairly low-level and access to guns is extremely difficult. A person familiar with the shooting probe says the mother of a local-government worker fired Sunday by Isabel Carrasco may have used the gun owned by her husband, a policeman, to shoot Ms. Carrasco. That would make this the first case of murder on revenge for a dismissal in unemployment-hit Spain. (david.roman@wsj.com)

14:55 EDT - Pentagon spending trends continue to vex analysts every bit as much as still-cloudy budgets, with actual outlays up 17% in April from a year ago. It's been a volatile start to the year, with spending for the trailing three months up just 2%. Byron Callan at Capital Alpha Partners fingers the Air Force as the biggest swinger. He attributes the latest surge in Air Force spending--to \$7.3B in April, up 40% from a year earlier--to the timing of outlays on classified programs. (doug.cameron@wsj.com; @douglcameron)

13:56 EDT - A key factor keeping bond yields low has been tame inflation, which has soothed worries of the Fed raising interest rates earlier than many investors expect, currently around 2H 2015. This week's inflation releases will be highly scrutinized--PPI due Wednesday and CPI Thursday. "Inflation fear needs to ratchet up before we see 3% again" on the 10-year yield, says Kevin Walter, senior Treasury bond trader at Barclays. He says wage pressure will be the key inflation gauge for bond investors. Any sign of wage inflation picking up speed would boost inflation expectations and send yields higher. (min.zeng@wsj.com; @minzengwsj)

(END) Dow Jones Newswires

May 12, 2014 18:46 ET (22:46 GMT)

**IN** iindstrls : Industrial Goods | itsp : Transportation/Shipping

**NS** c1521 : Analyst Comments/Recommendations | ccat : Corporate/Industrial News | namt : All Market Talk | ncmac : Commodities Asset Class News | ndjmt : Dow Jones Market Talk | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | nfxacb : Forex Asset Class Basic News | nfxacp : Forex Asset Class Premium News | nsmcm : Stock Market Commentary | c15 : Performance | c152 : Earnings Projections | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

**RE** usa : United States | austr : Australia | nz : New Zealand | apacz : Asia Pacific | ausnz : Australia/Oceania | namz : North America

**PUB** Dow Jones & Company, Inc.

