

**HD Australia's Central Bank Likely More Satisfied Economy on the Up -- Market Talk**

**WC** 1,651 words

**PD** 29 July 2014

**ET** 14:08

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English

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**LP**

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0408 GMT [Dow Jones] Australian consumers have now completely shrugged off concerns about the government's budget in May, and are moving on with life, says Craig James, chief economist at Commsec. Mr. James was citing the ANZ Bank's survey of confidence which showed a 2.4% rise in the week ending July 27. Mr. James says that not only has consumer sentiment recovered from the post-budget slump but sentiment levels are holding at the best levels in seven months. The Reserve Bank would be more comfortable with the latest round of economic data and it is unlikely to look to shift interest rate settings any time soon, Mr. James said. (james.glynn@wsj.com)

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0404 GMT [Dow Jones] London topped out as the most popular destination for **Chinese** investing in **property** overseas during the first half of the year, according to a report Tuesday by Jones Lang LaSalle. The **Chinese** invested \$2.3 **billion** in London **property**, followed by \$548 **million** in San Francisco and \$465 **million** in Chicago during that period. Overall, **Chinese** spent \$5.4 **billion** in overseas **commercial** and **residential property** in the first half of the year, up 17% from the same period last year. Most of that went to **commercial property**. The **Chinese** who are buying **property** overseas for the first time tend to target the "most liquid cities," although more experienced ones are looking at "smaller, less liquid markets," said Jones Lang's Global Capital Markets Research Director David Green-Morgan, in the report. (chao.deng@wsj.com; Twitter @chao\_deng)

0402 GMT [Dow Jones] **Mining** executives hope an innovation drive will win back some investors turned off by years of heavy spending, with fund managers having been critical of a marked slump in productivity in recent years. Catherine Raw, a portfolio manager at BlackRock Inc., thinks miners should be adopting applicable best practices from across other industries to improve the efficiency of their **operations**. "Generally the **mining** industry needs to learn how to look up and out a bit more than it does," says Raw, who co-manages its US\$8 **billion** world **mining** fund. As commodity prices rallied there simply wasn't the will among executives to drive productivity hard, she says. **Mining** isn't perfectly suited to the "cookie-cutter type solution" that can be rolled out across manufacturing, for example, she says, but adds: "I think you can aspire to it." (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0357 GMT [Dow Jones] Japan continues to shift investment out of **China** in favor of Southeast Asia due to political tensions between Tokyo and Beijing, IHS Global Insight says in a new analysis. Japanese FDI into **China** fell 49% in the first half of 2014 compared with a year earlier. Japan began to turn more to Southeast Asia in 2012 after anti-Japanese riots in **China**. Total Japanese investment in Southeast Asian between 2011 and 2013 was \$56.3 **billion** versus \$35 **billion** into **China** in the same period. It's not all about political tensions: wages also have been rising in **China** and Southeast Asia's growing middle class is a draw, IHS says. (tom.wright@wsj.com)

0348 GMT [Dow Jones] Bank of Japan policy **board** member Koji Ishida expressed concern that a falloff in demand for big-ticket items such as houses and cars after the April's sales tax may be prolonged and a decrease in real wages adjusted for inflation may gradually weigh on the overall consumption. "It is necessary to keep watching these figures closely," Ishida said in his speech delivered in western Japan. "A major focus in the near term is whether consumption will return to a recovering track in the

July-September quarter," he says. Those comments by Ishida, who is seen as neutralist among the nine policy **board** members, indicate that the central bank may not be fully confident the economy will be able to weather the headwinds of the sales tax and will embark on a recovery trend in the current quarter. (tatsuo.ito@wsj.com)

0345 GMT [Dow Jones] **China's** front-end corporate bond spreads have declined to historical lows, Nomura says Tuesday. "Liquidity injections and targeted easing so far this year has had a material impact on corporate bond yields. Corporate bond yields have dropped across the rating spectrum while a similar narrowing of spreads can be seen relative to **Chinese** government **bonds**," it says. It cited **Chinabond** data saying both one-year and five-year AA-rated bond yields have fallen from highs of 7.22% and 7.63%, respectively, at the start of the year to 5.38% and 6.53%. The stabilization of GDP growth and POBC monetary, liquidity easing and relatively well-contained default risks have led to lower corporate bond yields and the relative spread narrowing between different rated **bonds**. (wynne.wang@dowjones.com)

0339 GMT [Dow Jones] The lowest accepted price for two-year JGBs at the 0345 GMT auction result is likely around 100.06, traders say. The latest issue carries a 0.1% coupon--unchanged from the previous issue. Traders expect a smooth result as demand for medium-term debt remains strong from investors such as banks and on support from the Bank of Japan's bond **purchase** program. **Lead** September JGB futures are up 0.02 at 145.99 as of the midday close. The two-year JGB yield is flat at 0.070%. (eleanor.warnock@wsj.com)

0320 GMT [Dow Jones] Earlier-than-expected removal of home **purchase** restrictions and credit easing have sped up a **property** sales recovery in **China**. The year-on-year decline in **property** sales narrowed significantly in July, according to Soufun. Nearly half of 46 cities that originally imposed restrictions have officially or unofficially lifted them, says UBS. "The timing of policy loosening has been earlier than in the last downturn in 2011/12." Nomura expects a pickup in sales in the second half as more cities relax their restrictions in the coming months. It also says banks have sped up mortgage approvals, with discounts on mortgage rates for first-home buyers. "Credit loosening should support a sales recovery," Nomura says. (jacky.wong@wsj.com; Twitter: @jackycwong)

0302 GMT [Dow Jones] One of the vexing questions facing economists keeping a close tab on Bank of Japan policy is how the central bank will judge in the future whether inflation has become "stable" at 2%--a condition that is supposed to prompt unwinding of stimulus policy. In a speech Tuesday, BOJ policy-setting **board** member Koji Ishida said that in making that judgment, he will look at the overall CPI, the CPI excluding fresh food costs, the CPI excluding imputed rent, the CPI excluding food and **energy** costs, and the CPI that discounts items showing either the biggest or smallest price moves. "No single price indicator is a perfect gauge of the overall price trends in consumer prices," Ishida said. Maybe. But rather than providing more clarity, his mentioning of various gauges likely only adds to uncertainty over when the BOJ would scale down its policy for what reasons. (takashi.nakamichi@wsj.com)

0301 GMT [Dow Jones] **China's** yuan extends its gains against the dollar on Tuesday morning, hitting a fresh 4-month high. USD/CNY is at 6.1849, after hitting a low high of 6.1833, vs 6.1863 at Monday's close. "I believe the moves are sustainable in the near-term and they are reflective of improved sentiment toward **China** activity and assets (equities included) after a period over the last months where positions were shaken out," said Patrick Bennett, FX Strategist with CIBC. Traders say the yuan is consolidating before it tries to break the major resistance at 6.1800. The central parity is set at 6.1615 vs 6.1622 Monday. Offshore, one-year USD/CNY NDFs are up/down at 6.2414/6.2457 from 6.2405/6.2442 late Monday. (wynne.wang@dowjones.com)

0258 GMT [Dow Jones] Payments in yuan by South Korea have risen more than five times in the year to June and it is now the eighth biggest user of the **Chinese** currency--excluding **China** and **Hong Kong**, the Society for Worldwide Interbank Financial Telecommunication, or Swift, says. South Korea's yuan "payments growth is increasingly driven by customer payments which are a good proxy for trade settlement," Swift head of payments in the Asian-Pacific region Michael Moon says. South Korea and **China** established an offshore yuan clearing center in Seoul in June. The yuan is the seventh most-used currency for international payments, Swift says. (fiona.law@wsj.com)

0229 GMT [Dow Jones] Plans to extend stock ownership and improve corporate governance at Bank of Communications (3328.HK) are a shot in the arm for investors betting on further reforms of **Chinese** state-owned enterprises, says Barclays. "The key reform area, among other things, could be giving senior management and employee stock ownership incentive, as well as further to broaden ownership structure of the bank," the bank says. BOCOM confirmed the plan yesterday, sending its stock up 0.5% to HK\$5.84 in early trading, after rising on Monday by the most since September 2012. The move should boost market sentiment as the latest example of reform drives gathering steam, Barclays adds: "We expect the potential positive impacts of such reform to be bigger on small and mid-size SOE banks than

the large peers." The Hang Seng **China** H-Financials Index is up 0.4% in early trading.  
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(END) Dow Jones Newswires

July 29, 2014 00:08 ET (04:08 GMT)

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**AN** Document DJDN000020140729ea7t00098