

HD **Pressure on Australian Dollar to Build, Capital Economics Says -- Market Talk**

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2237 GMT [Dow Jones] -- Pressure on the Australian dollar is likely to continue to build, putting its status as the only G-10 currency that is stronger against the U.S. this year at risk, says Capital Economics. It is forecasting the currency to end 2014 at US\$0.87, and finish 2015 at US\$0.85, compared with a current level of around US\$0.91. "A key reason why we expect the exchange rate to decline is the relative prospects for monetary policy in the U.S. and Australia," Capital Economics says. The U.S. Federal Reserve is likely to tighten a little more aggressively than most envisage as a strengthening labor market puts upward pressure on wage inflation. In Australia, the central bank is set to keep interest rates at 2.5% into 2016, it says. (david.winning@wsj.com; @dwinningWSJ)

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18:25 EDT - Indonesian President-elect Joko Widodo plans to develop poor villages in the first three months of his term in part by giving fishermen, farmers and others access to capital and building diesel fuel stations that will help the government better distribute subsidized fuel, his team says. Hasto Kristiyanto, a member of Widodo's transition team says the new administration will pay for the anti-poverty efforts in 1,000 villages by reallocating the budget and using CSR programs. He adds that the administration plans to disburse cash aid for students up to grade 12. Widodo assumes office in October with a budget that allocates **billions** of dollars to fuel subsidies, and has suggested he would cut subsidies to make room for welfare spending. (linda.silaen@wsj.com)

18:22 EDT - Asian markets are likely to be mixed, tracking the US, where investors eyed tensions in Iraq and Ukraine as well as the recent rise in long-term interest rates. In New Zealand the NZX-50 is down 0.2% at 5250.356. The Warehouse (WHS.NZ) is down 0.3% at NZ\$3.08 after reporting a sharp drop in its net profit, though volume is light as the result was "as expected and within the range forecast by analysts," says Forsyth Barr broker Dave Schaper. Investors will be watching for earnings reports from other retailers, he says. (rebecca.howard@wsj.com; @FarroHoward)

17:48 EDT - **China's** dominance in the cotton market faded today as the USDA forecast India's production would outpace **China's** for the first time since at least the mid-1960s. Indian growers will likely reap 30M bales this season, compared with **China's** 29.5M, federal forecasters say in a monthly report. In addition to its own lower production, **China** may be finding that it may not need as much US cotton either. **China** cancelled 105,900 bales of US upland cotton, bringing net sales cancellations in the week ended Sept. 4 to 34,200 bales, the largest since June 2012, according to USDA. (leslie.josephs@wsj.com; @lesliejosephs)

17:07 EDT - AUD/USD "remains in a negative mood, despite decent economic data," says Westpac Bank senior strategist Imre Speizer. "The strong US dollar is dominating and puts 0.9080 (and) below at risk." The pair is at 0.9100 early in New Zealand. Looking further ahead, he says the RBA is expected to remain on hold until August 2015, but markets should start pricing in the tightening cycle by end-2014, which should eventually boost AUD above 0.9500. "Before then though, US dollar sentiment and commodity prices will dominate and could drag the AUD to 0.9050." (rebecca.howard@wsj.com; @FarroHoward)

16:47 EDT - Canadian monthly jobs data are well known for their volatility, sometimes doing one thing when it was expected to do another and often catching economists off-guard. It seems Canada has **company** Down Under: the Australian jobs report overnight showed a 121k record gain in August. Relative to the size of its workforce, that's comparable to a 179k gain in Canada and a 1.5M jump in the

US, says BMO Capital Market. **Firm** says Aussie job numbers tend to be more volatile than the Canadian and US household survey figures. (nirmala.menon@wsj.com; @NirmalaMenon)

16:41 EDT - NZD/USD continues to move lower "with the 0.8200 level broken on the back of a much more cautious RBNZ," says BNZ FX strategist Raiko Shareef. He notes the USD rally continues to be the "defining feature of the FX landscape" and AUD's failure to hold gains following a strong Australia employment report also weighed on the kiwi. NZD/USD last at 0.8178. Shareef says any rally is likely limited to 0.8250. (rebecca.howard@wsj.com; @FarroHoward)

16:33 EDT - Call it ageist, but younger sugar-cane can yield more sugar. That's a problem for Brazilian sugar producers: they are faced with sugar prices at more than 4-year lows, heavy debt loads and higher costs. Jeremy Austin, general manager of trade house Sucres et Denrees Group's Brazil unit, says only about 14% of the cane has been renovated this year, when 18% a year should be replanted with new cane. "It's very difficult to find people who are making money in the Brazilian sugar industry," he says. "We see that [the cane] is just getting older." ICE raw-sugar futures end at 14.36c/lb, lowest since June 2010. (leslie.josephs@wsj.com; @lesliejosephs)

16:26 EDT - Public investment spending in Mexico has not translated in more infrastructure yet, says Barclays, noting that its 2.5% growth forecast for this year is facing downside pressures. "Manufacturing continues to be the motor of industrial production, while construction might not get enough dynamism during the rest of the year," writes Marco Oviedo, Barclays Mexico's chief economist. Industrial production expanded 0.3% in July compared to the previous month, slightly below expectations. Mexico's government has an unprecedented \$65B in physical investments approved for this year. (juan.montes@wsj.com)

15:37 EDT - A combination of a stronger greenback and softer commodity prices has driven USD/CAD to the highest level in almost 5 1/2 months, successfully holding on to gains after breaching the key C\$1.100 level. Pair now at C\$1.1047, not far from the peak of C\$1.1059 hit this afternoon, which was the highest level since April 1. The greenback had pierced C\$1.1000 daily since Tuesday, but retraced below that in the last two days before the end of the trading session. Once the pair broke through that barrier today, it triggered stop loss buying at several technical levels, says David Bradley, director of foreign exchange trading at Bank of Nova Scotia. (nirmala.menon@wsj.com, @NirmalaMenon)

15:16 EDT - Venezuela has only 4Q left to enact some form of economic adjustments, Credit Suisse says, calling it the government's last chance to implement painful measures before entering next year's election cycle. Bank says it now forecasts a more-severe GDP contraction in 2014 of -2.3% from its previous estimate of -0.5%. It adds that it still sees the possibility of the country selling \$5B more in **bonds** this year to feed its dollar-distribution mechanisms. (kejal.vyas@wsj.com)

15:12 EDT - Credit Suisse expects Mexico to grow 2.5%, up slightly from a previous 2.3% estimate, and in line with consensus expectations in the latest central bank survey. "We feel increasingly confident that the Mexican economy will continue to benefit from the strength of the U.S. economy," the bank said. For 2015, the bank expects Mexico to grow at a rate of 4.1%. Credit Suisse credits President Enrique Pena Nieto's reforms, especially Mexico's opening of its **energy** sector, as a positive "game changer" for the country's growth outlook. (jose.decordoba@wsj.com; @Jose_deCordoba)

(END) Dow Jones Newswires

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