

HD Cheap Aluminum From Xinjiang May Cut Metal's Cost Support: CBA -- Market Talk

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0102 GMT [Dow Jones] A fall in **Chinese** aluminum production costs could pull the proverbial rug out from under market prices. Commonwealth Bank of Australia says new large scale and cheap capacity in Xinjiang "is likely to reduce average costs in **China**'s aluminium sector, thereby reducing marginal cost support for global aluminum prices, even as western world aluminium markets tighten." It says Xinjiang in April accounted for 19% of total **Chinese** aluminum production, "consolidating the province's position as **China**'s largest aluminium producer." It expects the province to continue to take market share as a result of lower power costs, as smelters take advantage of cheap local thermal coal. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

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0052 GMT [Dow Jones] The overnight rise of the U.S. dollar index ought to result in a higher PBOC daily USD/CNY parity rate, which could in turn push spot USD/CNY higher. Spot USD/CNY continues to show a bearish technical bias unless it closes Wednesday above 6.1941 and thus negates the daily Bollinger downtrend channel's influence. Spot USD/CNY's consecutive 5-day descent has now extended past the confines of the lower Bollinger band (standard deviation 2) suggesting that its recent movement has overshoot the short-term average statistical fluctuation and could thus be due for a pullback. The U.S. FOMC meeting later today could steer the U.S. dollar higher if the U.S. Federal Reserve hints at raising interest rates sooner. Fresh U.S. sanctions announced overnight could also cast a mild risk aversion in Asia and lead to U.S. dollar strength. (ewen.chew@wsj.com)

0047 GMT [Dow Jones] Moody's Investors Service says that a severe mining downturn in Australia would trigger only a "relatively minor" increase in delinquencies for the Australian **Residential** Mortgage Backed Securities. "Australian RMBS would prove resilient in the event of a mining downturn because they are geographically diversified, limiting the exposure of individual **transactions** to regions that would be severely affected," said Alena Chen, a Moody's analyst. Chen said Moody's conducted this analysis because Australia's mining sector has seen significant job losses over the last two years, shedding close to 11,000 employees. (james.glynn@wsj.com)

0034 GMT [Dow Jones] Moody's has retained its stable outlook on New Zealand's banking system "reflecting our expectation of sustained economic growth and stable asset quality in the coming 12-18 months," the investor service says in a note. "While the banks could face mild pressure on their loan margins as monetary policy gradually tightens, low credit costs will help preserve profits and allow the banks to maintain their strong capital buffers." It says funding conditions will remain favorable. "Deposit growth will continue to exceed loan growth, although we expect the gap to narrow. Consequently, the banks will not have to increase the proportion of their funding from wholesale sources." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

0029 GMT [Dow Jones] South Korea's stronger-than-expected June factory output is unlikely to ease pressure on the Bank of Korea to cut its policy rate to support growth, says Tongyang Securities economist Lee Chul-hee. "It should be viewed as a technical rebound, not a sign of full-fledged recovery, after fewer working days of the previous month," Lee says. "The BOK, still under growing government pressure to ease its monetary policy, is likely to give in." He expects a quarter percentage-point cut in the

policy rate at the BOK meeting on Aug. 14. Output in June expands 2.9% from a month earlier, the fastest pace in 57 months and beating market expectations of a 0.9% gain. On a year-on-year basis, it grows 0.6% in June, compared with market expectations of a 0.9% expansion. (kwanwoo.jun@wsj.com)

0027 GMT [Dow Jones] Australia's Domino's Pizza Enterprises (DMP.AU) should keep growing sales volumes in Japan, although macro headwinds will probably slow same-store sales growth there to a more modest rate than the 5%-7% expected in FY14, says Macquarie. Its European business, meanwhile, still needs work after underperforming over the past 18 months, while price competition in Australia--Dominoes is offering some large takeaway pizzas for A\$4.50 each--will put pressure on margins. "Domino's deserves to trade at a premium given its growth track record, strong management team, attractive business model, online dominance, and positive earnings outlook including international growth in Europe and Japan," Macquarie says. The stock, however, is trading at around 34 times forecast FY15 earnings, justifying a "neutral" recommendation, the broker says. Domino's is down 0.5% at A\$21.65, compared with Macquarie's A\$21.54 price target. (Ross.Kelly@wsj.com)

0024 GMT [Dow Jones] NZ building consents have more than recovered from April's weakness and excluding the volatile **apartment** category are at their highest level since late 2007, says Westpac senior economist Michael Gordon in a note; "Not surprisingly, the rise in consents was driven by the Auckland and Canterbury regions, with both reaching new cycle highs." Statistics New Zealand said earlier that June **residential** building consents were up 3.5% on month, and up 26.7% on year, while excluding the **apartment** sector, consents were up 2.9% on month and rose 27.1% on year. (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

2302 GMT [Dow Jones] -- The USD/JPY may trade in a 101.80-102.30 range during Asian trading Wednesday with bias on the upside as investors await the U.S. preliminary estimate on second-quarter gross domestic product, followed by the conclusion of the Federal Open Market Committee meeting later in the day, says Junichi Ishikawa, market analyst at IG Securities in Tokyo. "The dollar has gained on speculation of a more hawkish tone from the Fed," he says. A stronger U.S. consumer confidence figure is also behind the dollar's strength, he says. He tips the EUR/USD in a 1.3400-1.3450 range. The USD/JPY is at 102.12, and the EUR/USD is at 1.3410. (alexander.martin@wsj.com)

18:32 EDT - The contribution that favorable demographics have made to emerging market economic growth over the past couple of decades is often overplayed, says Capital Economics' Neil Shearing. More than baby booms, what matters for economic growth is the ability to raise productivity, he says. So while several emerging countries are likely to run into demographic headwinds over the next decade, Shearing argues that "this may not necessarily be the disaster that some seem to expect." The United Nations predicts that working age populations in Latin America will expand only modestly over the next couple of decades. (amy.guthrie@wsj.com)

17:49 EDT - It's been more than a year since the city of Detroit filed its historic municipal bankruptcy case, the largest for a city in US history. But the presiding judge said today a trial on the city's debt-cutting plan should wait a bit. It was originally scheduled to start Aug. 14, but federal bankruptcy Judge Steven Rhodes says today "the record does establish extraordinary cause" for moving the start of the trial back a week to Aug. 21. Holdout creditors are expected at trial to challenge the viability of the city's plan and its fairness to city debtholders. (matthew.dolan@wsj.com; @matthewsdolan)

17:14 EDT - Supplies of beef, pork and poultry are trailing volumes **sold** in the US last year, and retail prices have climbed to reflect production constraints, with beef typically the priciest protein of the three. "Is the US consumer starting to show signs of weariness in the face of high beef prices?" asks Societe Generale head of agricultural commodities research Chris Narayanan. He says "not yet," but notes the "bull market is likely to continue over the next few years," based on recent federal inventory reports of the nation's cattle herd. (kelsey.gee@wsj.com; @kelseykggee)

16:54 EDT - A dearth of qualified professionals in areas such as engineering is forcing companies in Mexico to search for talent abroad, says recruiting **firm** Hays. The gap between the know-how that employers seek and the capabilities of job candidates widens by the day, Hays warns, citing its recent study of employment trends in the country. Hays urges the Mexican government, educational institutions and companies to strategize together on how to improve the country's talent pool. Mexico received a record \$35.2B in foreign direct investment in 2013, although a third of that amount stemmed from a single M&A deal. (amy.guthrie@wsj.com)

(END) Dow Jones Newswires

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