

HD Australian Dollar Needs to Fall to Avert a Rate Cut: UBS -- Market Talk

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0542 GMT [Dow Jones] Signs of a rebalancing of growth in Australia's economy are being overwhelmed by drops in **company** and government investment, said Scott Haslem, chief economist at UBS. The additional burden of sharply falling commodity prices is also undermining the economy's earnings. Haslem adds that late 2015 may yet prove to be too early for the central bank to step away from the current record low record low cash rate. "While we continue to see as low the likelihood they'll trim the cash rate further, some stabilisation in the global economy and an ongoing fall in the Australian dollar is now likely needed to sustain that view," Haslem said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor JSM

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0535 GMT [Dow Jones] With Australia's terms of trade falling sharply, the risks are skewed to the downside for the economy, says Shane Oliver, chief economist at AMP Capital Markets. If more assistance is not delivered by a further fall in the value of the Australian dollar in the months ahead, there is a high chance that the central bank will respond with another rate cut early next year, he says. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor JSM

0532 GMT [Dow Jones] India's state-run telecommunications **company** Mahanagar Telephone Nigam (500108.BY) plans to raise 37.69 **billion** rupees (\$609 **million**) by issuing **bonds**, as it aims to repay high interest loans. Earnings of MTNL, which operates in two of India's 22 telecom service areas, has been hurt by high finance costs which makes up more than half of its revenue. During the July-September quarter, the **company** said it posted a loss of 8.34 **billion** rupees on revenue of 8.51 **billion** rupees. Its finance costs for the quarter stood at 4.25 **billion** rupees. (krishna.jai@wsj.com; Twitter: @jaikrishna)

Editor JSM

0516 GMT [Dow Jones] Malaysia risks running the so-called twin-deficit, or a shortfall in both fiscal and current accounts, by the first quarter of 2015 if exports remain weak, AllianceDBS says. "As the fiscal deficit is not expected to return to a balance before 2020, the twin deficit situation, even temporarily, put the country's sovereign credit rating at risk of a downgrade," AllianceDBS says. Malaysia expects fiscal deficit at 3.0% of gross domestic product next year, down from estimated 3.5% of GDP this year. The house trims Malaysia's 2015 economic growth forecast to 5.0% on expectation of softening consumption and export growth; a worst-case scenario puts Malaysia's growth at 3%-4%, resulting in the government missing its fiscal target and risking a rating downgrade. Alliance expects the USD/MYR to be within 3.30-3.35 for full-year 2015, though it could hit a high of 3.50 next year. (jason.ng@wsj.com; Twitter: @ByJasonNg)

Editor JSM

0511 GMT [Dow Jones] The NZD/USD has been dragged lower as the AUD/USD falls on worse-than-expected third-quarter gross domestic product data, says Western Union Business Solutions corporate dealing manager Chris Hunter. "Things are not looking so sharp for commodity currencies." He adds that the NZD/USD had already been under pressure following further falls in the GlobalDairyTrade auction. The pair is at 0.7789. Hunter puts support for the pair at 0.7710 with resistance at 0.7825. (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

Editor JSM

0454 GMT [Dow Jones] While the USD/JPY continues to show its strength (now at 119.23 after hitting a fresh 7-year high of 119.44), Daiwa Securities chief FX analyst Yuji Kameoka warns that lower crude **oil** prices could end up weakening expectations for both U.S. interest rates and the USD going higher. Some U.S. monetary policy officials have said lower **oil** prices bode well for U.S. consumption and growth. But Kameoka warns that a sufficiently large falloff in **energy**-related shares could spark a retreat in U.S. stocks, causing a negative wealth effect in the area of personal consumption. "If people become aware that excessive dollar strength, combined with **oil** price weakness, could cut into economic growth in addition to putting downward pressure on inflation, market expectations for an early rate hike will likely recede," Kameoka says. (hiroyuki.kachi@wsj.com)

Editor: PJK

0339 GMT [Dow Jones] Singapore's electronics production could fall more in December after some orders ahead of the Christmas-New Year festive season provided a temporary spurt, DBS Bank says in a note after Singapore released softer November PMI readings. Singapore's overall manufacturing purchasing managers' index eases to 51.8 in November from 51.9 in October while electronics PMI falls sharply to 50.6 in November from 52.5 in October, according to late night data from the Singapore Institute of Purchasing & Materials Management. The earlier uptick in the electronics PMI was boosted mainly by a surge in the finished goods index, DBS says. "Risk is that production in the electronics cluster may ease further in December. It appears that manufacturers may be in for a quiet Christmas," it says. (gaurav.raghuvanshi@wsj.com)

Editor JSM

0327 GMT [Dow Jones] The Indian government plans to auction frequencies to cellphone companies in February next year, according to a note on the telecom regulator's website. The upcoming **sale** is crucial for cellphone companies as well as the government. India's government aims to raise 454.71 **billion** rupees through the **sale**, to narrow its fiscal deficit. (krishna.jai@wsj.com; Twitter: @jaikrishna)

Editor JSM

0323 GMT [Dow Jones] Singapore's overall manufacturing and electronics purchasing managers' index readings decline in November, signaling the competitive export environment in Asia. The overall manufacturing PMI eases to 51.8 in November from 51.9 in October, according to the Singapore Institute of Purchasing & Materials Management. Electronics PMI falls sharply to 50.6 in November from 52.5 in October, according to the institute. Singapore's exports and manufacturing have been subdued this year as demand from its key markets in Europe and from within Asia remains weak amid continued sluggish economic growth. The data point to a softer fourth quarter gross domestic product, which the government expects to grow by 3.0% in 2014. (gaurav.raghuvanshi@wsj.com)

Editor JSM

0319 GMT [Dow Jones] The yuan falls as **China's** central bank guides it weaker via a daily reference rate, despite data shows modest economic resilience outside the country's factory sector. The yuan is at

6.1518 to a dollar, versus 6.1503 at Tuesday's close. The central parity is set at 6.1376 versus 6.1325 Tuesday. "The yuan is trending lower these days and a weaker yuan fixing just gave it another push," says a Shanghai-based foreign bank trader. The HSBC **China** services purchasing managers index rose to 53.0 from 52.9 in October while **China's** official non-manufacturing purchasing managers index rose to 53.9 in November from 53.8 in October. Offshore, one-year USD/CNY non-deliverable forwards are up at 6.2670/6.2720 from 6.2620/6.2640 late Tuesday. (wynne.wang@dowjones.com)

Editor JSM

0315 GMT [Dow Jones] The HSBC **Hong Kong** purchasing managers' index rose slightly to 48.8 in November from 47.7 in October but remained in contraction mode (below 50) due to the fall of output and new orders as well as sharp decline of new business from **China**. HSBC says **Hong Kong** private sector companies signalled a further deterioration in overall operating conditions in November, with a number of firms citing subdued market conditions that in many cases were linked to the ongoing political protest. "**Hong Kong's** economy is still weakening," HSBC economist John Zhu says. "Given the weakness in demand from mainland **China**, the risks to growth remain on the downside," he adds. (chester.yung@wsj.com)

Editor JSM

0303 GMT [Dow Jones] The USD/TWD rises, tracking the stronger USD/JPY, says a local trader. "We are basically following the USD/JPY, which will likely hit 120.00 soon," the trader says, and adds exporters are turning cautious in selling [the USD] as they expect the USD will rise further. The pair is at 31.118, higher than 31.050 traded before the local central bank's suspected intervention Tuesday, which lifted it to 31.106 at the close of the onshore trading session, traders say. Taiwan government **bonds** are lower, reflecting overnight declines in U.S. Treasuries. A trader says the yield of the U.S. 10-year bond hitting 2.300% dampened local bond investor confidence and triggered some stop-loss selling. The most-traded 10-year bond yield rises to 1.6040% from 1.5890% late Tuesday; the five-year bond yield is at 1.1235% versus 1.0950%. (fanny.liu@wsj.com)

Editor JSM

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