

HD S&P/ASX 200 Up 0.2%; Hits 4-Week High As Financials Rise -- Market Talk

WC 1,613 words

PD 28 May 2014

ET 11:10

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

TD

0110 GMT [Dow Jones] Australia's S&P/ASX 200 is up 0.2% at 5524 after hitting a marginally higher 4-week high of 5530.4 following a 0.6% rise and record high in the S&P 500. Financials are supporting the market amid low volatility and low bond yields. CBA (CBA.AU) is up 0.2% at A\$81.85 after hitting a record high of A\$81.94, QBE (QBE.AU) gains 2% after Macquarie upgraded the insurer. But analysts continue to predict a pullback, due to seasonal factors and low trading volumes. "From an **equity** strategy perspective ultra-low volatility and ultra-low trading volumes concern me tactically," says Bell Potter's managing director, Charlie Aitken. "That suggests to me the foundations of **equity** markets at these index level are not as sturdy as prices would suggest." **Gold** and **iron ore** miners are underperforming, with Newcrest (NCM.AU) down 3.9% after spot **gold** fell 2.1% and Fortescue (FMG.AU) flat after spot **iron ore** fell 0.5%. (david.rogers@wsj.com; Twitter: @DRWSJ)

0058 GMT [Dow Jones] The USD/JPY may test the 100 level, if the U.S. 10-year Treasury yield falls below its recent low, says Junya Tanase, chief currency strategist at JPMorgan Chase in Tokyo. The 10-year yield was down despite upbeat economic data yesterday, in what may suggest the possibility that U.S. long-term interest rates find it difficult to rise because investors' U.S. bond short positions still remain. "If this view proves correct, it is considered that the risk surrounding U.S. long-term interest rates for now is leaning toward the downward direction," he says. Based on U.S.-Japan interest rate differentials so far this year, the USD/JPY is tipped at 100.05, which is consistent with the 10-year yield at 2.4%. The pair is at 101.91 against 101.97 in late New York Tuesday. (hiroyuki.kachi@wsj.com)

0028 GMT [Dow Jones] **Gold** is trading in a tight range, testing key support, after falling 2.3% in the spot market overnight to its lowest since February. Signs of an improvement in the U.S. economy and hopes of a more politically stable Ukraine dimmed investor appetite for the safehaven asset. A stronger USD also weighed on prices. A sustained break below near-term support of \$1,262.70/oz--the 61.8% retracement of the 1Q rally--could "shift focus" to the December low, Scotiabank says in a report. Spot **gold** prices fell to \$1,182.70/oz in December. Silver has resolved its own consolidation pattern, the bank says, adding that \$19/oz is the key downside level, followed by \$18.85/oz. Spot **gold** is at \$1,262.70/oz, down 60 cents from its previous close, while silver is at \$19.05/oz, down 2 cents. (arpan.mukherjee@wsj.com; Twitter: @ArpanMukherjee)

0021 GMT [Dow Jones] Spot EUR/GBP's rise Tuesday from 0.8080 to 0.8117 is mainly due to a near-term short-EUR positioning squeeze, BNP Paribas says. The bank says U.K. fundamentals remain favorable and expects Wednesday's release of U.K. May CBI quarterly distributive trades survey (due 1000 GMT) to show improvement to +35 from +30 following last week's very strong U.K. April retail sales data. BNP Paribas suggests maintaining short EUR/GBP positions with a 0.78 target and placing a **buy**-stop at 0.8265 to limit losses. Spot EUR/GBP is recently at 0.8107. (jerry.tan@wsj.com)

0019 GMT [Dow Jones] Morgan Stanley slashes Thai GDP growth forecasts to zero for 2014 and 3% for 2015 versus previous forecasts of 3% and 4%. "The downside surprise in 1Q14 has already lowered the incoming growth trajectory and the recent coup adds to growth pressures," Morgan Stanley strategists say. "Other non-political macro challenges such as high leverage, weaker productivity, softening global

export share and poor demographics also hamper the growth recovery." With elections unlikely within 12 months, they see less room for monetary policy stimulus and a V-shaped recovery. Thailand's **equity** market risk is "skewed to the downside" as "valuations are relatively full, risks are rising and growth is slowing, they say. USD/THB should fall to 36.5 by end-2014, as weaker tourism and portfolio flows should mitigate the supportive effect of lower imports, they add. (david.rogers@wsj.com; Twitter: @DRWSJ)

2359 GMT [Dow Jones] Aristocrat's (ALL.AU) price-to-earnings ratio of 24 times expected earnings per share is hard to justify, says BBY analyst Moira Daw. She reiterates her underperform rating on the slot-machine maker after its first-half results. First-half net profit after tax rose 9.2% on year to A\$57.4 **million**, in line with market expectations, mostly due to a lower Australian dollar and tax rate. Revenue rose 7.6% but fell 2.2% in constant-currency terms. BBY's recent price target was A\$4.30/share. ALL last A\$5.17. (david.rogers@wsj.com; Twitter: @DRWSJ)

2358 GMT [Dow Jones] Mitsui Fudosan (8801.TO) is set to fall following the **firm's** announcement after the Tuesday TSE close that it would raise up to Y325 **billion** via a share offering. The deal is the biggest such offering in Japan this year and the first for Mitsui Fudosan in more than three decades. Mitsui Fudosan said it plans to use the proceeds from its offering to invest in office buildings and retail facilities in Japan as well as Olympics-related projects ahead of the 2020 Tokyo games. Pre-market bid/ask levels are at Y3,110/Y3,111 vs Tuesday's close at Y3,340 as investors factor in share base dilution. Mitsui Fudosan said it would issue up to 100 **million** new shares for the offer. (bradford.frischkorn@wsj.com)

2354 GMT [Dow Jones] Base metals are likely to remain supported after upbeat U.S. economic data overnight and hopes of stimulus from the **Chinese** government bolstered the demand outlook. Data Tuesday showed an improvement in U.S. consumer confidence in May and a 0.8% rise in U.S. durable goods orders in April, bucking calls for a 0.7% drop. Analysts say expectations of a pickup in **business** activity are turning many investors bullish towards industrial metals including **copper**. However, a stronger USD could limit further gains as commodities priced in USD appear costlier to holders of other currencies. LME 3-month **copper** ended up 0.1% Tuesday at \$6,933/ton--its highest price since March 7--and aluminum closed 0.8% higher at \$1,828/ton. (arpan.mukherjee@wsj.com; Twitter: @ArpanMukherjee)

2314 GMT [Dow Jones] Tower's rating was increased to outperform from neutral by Credit Suisse following the release of a 1H14 result that beat the investment bank's forecasts. Credit Suisse says that the 1H14 result demonstrated a continuation of gross written premium growth of 5%; a stabilization of reinsurance expenses; improving underlying claim ratio and a solid excess capital position; "Tower has simplified and cleaned up its **business** and is now in a position to capitalize on growth opportunities in a consolidating market." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

17:59 EDT - On the face of it, the decline in Fonterra's 2014-15 payout versus the season just ending "is a drag on the economy over the coming year," says ANZ Bank rural economist Con Williams. However, "that dynamic is exaggerated; the coming year's payout will still be the 4th highest on record," he says. Fonterra is forecasting it will pay its 10,500 farmers NZ\$7 per kilogram of **milk** solids in the season starting June 1, versus a revised NZ\$8.40 in the season just ended. While NZ\$8.40 has been revised down--taking some NZ\$395M out of the economy--"it only takes a little bit of cream off the top of an otherwise stellar season," says Williams. (rebecca.howard@wsj.com; @FarroHoward)

17:47 EDT - NZD/USD gets a lift from news that Fonterra Co-operative **Group** forecast it will pay its 10,500 farmer shareholders NZ\$7.0 per kilogram of **milk** solids in the season that starts June 1. While the opening forecast is sharply lower than this season's revised forecast of NZ\$8.40, ANZ Bank says "it's at the high end" of what the market was expecting. NZD/USD last at 0.8563, from 0.8541 prior to the announcement. (rebecca.howard@wsj.com; @FarroHoward)

17:37 EDT - AUD/USD support of 0.9210 is holding for the time being, but if it breaks below that level AUD will be vulnerable, says Westpac currency strategist Imre Speizer. He says the Westpac Leading index for April and 1Q construction work done will be local drivers of the currency while the Westpac-MNI **China** Consumer Sentiment for May is also a must watch. The pair is at 0.9260, unchanged from late Tuesday in Sydney. Speizer adds the downward correction being seen in the pair could run as far as 0.9000 during the weeks ahead as weak consumer sentiment a major drag. (lucy.craymer@wsj.com; @lucy_craymer)

(END) Dow Jones Newswires

May 27, 2014 21:10 ET (01:10 GMT)

IN i221 : Iron/Steel/Ferroalloys | i22472 : Precious Metals | i814 : Banking | i82 : Insurance | i22 : Primary Metals | i224 : Non-ferrous Metals | ibasicm : Basic Materials/Resources | ibnk : Banking/Credit | ifinal : Financial Services

NS c1521 : Analyst Comments/Recommendations | m1421 : Gold Markets | 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 | nmsmc : Main Stock Market Commentary | nsmcm : Stock Market Commentary | c15 : Performance | c152 : Earnings Projections | m14 : Commodity Markets | m142 : Metals Markets | mcat : Commodity/Financial Market News | mpcsm : Precious Metals Markets | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

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

PUB Dow Jones & Company, Inc.

AN Document DJDN000020140528ea5s0006n