DOW JONES NEWSWIRES

HD FHFA Plan May Fuel Distressed Home Loan Sales -- Market Talk

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17:39 EDT - The FHFA Conservatorship Scorecard indicates Fannie (FNMA) and Freddie (FMCC) will be assessed on their efforts to plan for the **sale** of their 249,214 nonperforming home loans and foreclosed properties, signaling a possible jump in sales of the distressed residential assets, say analysts at Compass Point Research & Trading. The sales of loans would further open the floodgates of loans that hedge funds and REITs have been buying in larger numbers from banks and HUD since 2012. Among buyers is PennyMac Mortgage Investment Trust (PMT). (albert.yoon@wsj.com)

TD

2128 GMT [Dow Jones] Of the NZ$52 **billion** in total agricultural debt, some NZ$32 **billion** is **dairy** debt, says the Reserve Bank of New Zealand. It notes the distribution of that debt is heavily skewed towards a small number of farms, with around half held by 10% of **dairy** farmers. Any decline in the **milk** payout price would place some highly indebted farmers under financial strain, it says. The RBNZ notes international **dairy** prices are down more than 20% in recent months and the decline "suggests the 2014/15 **milk** payout will be materially lower than for the current season." Fonterra's total forecast cash payout for 2013/14 is a record NZ$8.75 a kilo of **milk** solids, including the dividend. (rebecca.howard@wsj.com @FarroHoward)

2124 GMT - Government budgets in both New Zealand and Australia continue to be the dominating factor for both local stock markets, says Forsyth Barr investment advisor Haley van Leeuwen. She says news from the Australian budget of government jobs cuts could raise concerns about unemployment there, while report of increased R&D spending in healthcare could support stocks in the sector. The New Zealand budget is set to be released Thursday. Some focus may be on Chorus (CNU.NZ) who announced a new set of broadband products and pricing for these. The NZX-50 added 0.7% Tuesday to 5199.34. (lucy.craymer@wsj.com; @lucy_craymer)

2123 GMT [Dow Jones] New Zealand's financial system remains sound but risks remain, says RBNZ Governor Graeme Wheeler in the bank's twice-yearly Financial Stability Report. Key risks continue to be high household sector debt, overvalued house prices and elevated debt in the **dairy** sector--in particular given the country's growing dependence on **China**. **China** is New Zealand's leading trading partner, followed by Australia. Any disruption to **China**'s economic growth "would have significant implications for New Zealand's financial system," Wheeler says. Global fallout could increase funding costs for NZ banks and incomes in the indebted agricultural sector could fall sharply. Also, a slowdown in **China** would have significant ramifications for the Australian economy, which could reduce demand for NZ products in Australia. (rebecca.howard@wsj.com @FarroHoward)

17:09 EDT - Import prices in the US and Canada are headed in sharply divergent directions, and that reflects in part the weakness of the Canadian dollar, says BMO Capital Markets. US import prices unexpectedly fell in April and are unchanged over the past three years, held back by a stronger greenback, softer commodity prices and lower inflation in most advanced economies. North of the border, the weaker Canadian dollar lifted import costs 7% year-over-year in 1Q, BMO says. "This suggests inflation will climb somewhat faster in Canada than in the US, pressuring current negative long-bond spreads," **firm** adds. (don.curren@wsj.com; @dbcurren)

2057 GMT - NZD/USD tad lower as the miss in April retail sales in the U.S. was partially offset by substantial positive revisions to March, ANZ says. RBNZ is likely to reiterate currency concerns at the Financial Stability Report press conference this morning "which will help to keep NZD/USD under pressure," ANZ says. The pair is at 0.8627 vs. 0.8632 late Wednesday. ANZ expects the pair to trade in a short term range of 0.8610 to 0.8680.(lucy.craymer@wsj.com; @lucy_craymer)

16:36 EDT - Another bad day for banks' veteran credit derivatives traders. The latest assault to the $21T market--now a third of its pre-crisis high--is a ProShares plan to unveil exchange traded funds backed by credit default swaps. It's the latest step in a long line of evolution in CDS--a formerly lucrative area dominated by banks, but now subject to heavy regulation, more electronic trading and thinning margins. Bloomberg reports ProShares has received approval for new ETFs backed by CDS. If launched, it would be a first for ETFs and could attract new entrants, but dilute the influence of large banks. "Like everything else, the approval makes it easier for others to try," says Peter Tchir, head of macro strategy at Brean Capital. (katy.burne@wsj.com)

16:29 EDT - This morning's NFIB report isn't the only indication of growing optimism among US small-**business** owners. A survey conducted by Wells Fargo and Gallup shows its small-**business** index at its highest since 2008. The increase was driven by the future expectations component, reflecting optimism about **business** conditions over the next 12 months. Both NFIB and Gallup cite minimum wage as a factor that will influence how small-**business** owners feel, with the former pointing to hints of rising wage pressure as employers find their job postings increasingly difficult to fill. (cynthia.lin@wsj.com; @cynthialin_dj)

15:10 EDT - Many expected the greenback to climb relentlessly higher against the loonie this year, but it's been stalled for a number of weeks now, and that's resulted in some analysts trimming forecasts for USD/CAD. TD had forecast a rise to 1.1800 by mid-year, but, after the slide back below 1.0900 in the past few weeks, the **firm** believes the outlook for USD has softened somewhat. "We will have to recalibrate our bearish CAD sights to some degree though we still believe strongly in the merits of the weaker CAD argument." TD now expects USD/CAD to rise to 1.1200 by mid-year, and 1.1400 in 2H. USD/CAD currently around 1.0913. (don.curren@wsj.com @dbcurren)

Call us at (212) 416-2181 or john.shipman@dowjones.com

15:07 EDT - Ireland's 10-year debt yields 2.659%, just a few bps above the 2.614% yield on 10-year Treasurys--the world's go-to haven market. The Irish yield already trades below the 2.684% on 10-year UK gilts. Analysts at Rabobank say the rallying euro-zone debt market underscores how the ECB is "caught in a vicious circle." Speculation over QE is serving to attract capital into the euro zone, but that also props up the euro. A higher local currency "feeds through into heightened deflation concerns and, by extension, speculation over QE," **firm** says. (min.zeng@wsj.com; @minzengwsj)

14:29 EDT - All signs right now point to a sustained emerging markets rally, says Benoit Anne of Societe General. Fed is in no rush to raise rates, while the ECB seems ready to pull the trigger on easing, which will mean more liquidity searching for high yields in developing countries. "To me, the message is clear: **buy** EM assets and don't spend too much time picking and choosing," Anne writes. If investors really do start scooping up EM assets indiscriminately again, that's cause for concern. It will put less pressure on countries like South Africa to implement tough economic reforms, and it also means another sharp selloff could be in store. (nicole.hong@wsj.com)

13:09 EDT - High household debt is a big concern in Canada, but CIBC World Markets suggests there's no reason to raise alarm bells over household debt, pointing out that the Swiss carry higher levels of debt as a percentage of income without any signs of trouble. Canadians' diminished appetite for borrowing, and regulators poised to step in again should house prices and mortgage debt not slow on their own, will be obstacles to economic growth, it says. That would be offset if Canada's corporate sector were to pick up the slack. Canadian **business** are well positioned to expand borrowing with healthy credit ratings, low debt-**equity** ratios and robust investor appetite for debt. (don.curren@wsj.com @dbcurren)

(END) Dow Jones Newswires

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