

HD **Australian dollar lifted by investment outlook, kiwi dragged up**

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* Planned **business** spending in Australia for 2014/15 upgraded

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* Aussie up a quarter of a U.S. cent

* 10-yr government bond yields at lowest in over a year

By Cecile Lefort and Naomi Tajitsu

WELLINGTON/SYDNEY, Aug 28 (Reuters) - The Australian dollar received a boost on Thursday after a better-than-expected outlook for **business** investment leant hope the economy could weather an ongoing pullback in the mining sector, hoisting the New Zealand dollar higher.

The Australian dollar powered up to \$0.9360, from \$0.9336 in early trade. It climbed to a three-week peak of \$0.9373, where it met heavy resistance.

"Both the Aussie and bonds reacted to the headline print, but details were mixed," said Su-Lin Ong, senior economist at RBC Capital Markets in Australia.

Planned spending for 2014/15 was upgraded to A\$145.2 **billion**, topping analysts estimates of around A\$142 **billion**. However, there is a risk that gross domestic product (GDP) for the second quarter, due out next week, could show a contraction, partly due to consumer caution.

Not helping is a 0.9 percent decline in plant and equipment spending, which could also drag on economic growth.

Still, some economists are guardedly optimistic.

"The better print for the actual quarter and some signs that non-mining investments are picking up are encouraging," Ong said, keeping her GDP forecast at 0.5 percent for the second quarter.

The Aussie had already been underpinned by demand from carry trade investors, borrowing in euro to **buy** higher-yielding Aussie assets. The euro slipped to A\$1.4110, very near 10-month lows, with charts suggesting more downside. Initial support was found at A\$1.4087.

The common currency is down 2 percent this month largely due to growing expectations of another round of policy easing by the European Central Bank.

The Aussie kept near multi-month highs versus the yen, pound Swiss franc and its kiwi neighbour.

The New Zealand dollar traded around \$0.8384, and up from the week's trough of \$0.8311.

It was supported after **dairy** exporter Fonterra, New Zealand's largest **company**, on Wednesday announced a tie-up with a **Chinese firm** which could boost its branded infant formula sales in the **Chinese** market.

Fonterra, the world's largest **dairy** exporter, also stuck to its **milk** price forecast for the current year. There had been concerns it would lower the payout given an ongoing slide in global prices for **dairy**, the country's biggest export earner.

Versus the greenback, the kiwi has shed 5.6 percent since mid-July, and has retreated from a post-float high on a trade-weighted basis.

Technical support was seen at \$0.8353, the 61.8 percent retracement of the kiwi's February-July rally, and below that at \$0.8311.

New Zealand government bonds rose, pushing yields as much as 4 basis points lower across the curve.

Australian government bond futures were split, with the three-year bond contract down 1 tick at 97.370. The 10-year contract added 4 ticks to 96.720, very near a 14-month peak, with the yield curve flattening.

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