

**HD ANZ Sees Downside Risk for Global Dairy Prices in Overnight Auction -- Market Talk**

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2059 GMT -- Global **dairy** prices have fallen by almost 45% since their peak in February, with tonight's GlobalDairyTrade auction taking on added importance ahead of Fonterra's annual result announcement next Wednesday, says ANZ Bank. "We're yet to see a trigger for higher prices, with global supply continuing to weigh, including the re-routing of European product following Russian sanctions," it says. It notes that U.S. **milk** powder futures have fallen a further 10% in recent weeks and "therefore, we see downside risk to prices at tonight's GDT auction and expect Fonterra to lower its 2014/15 **milk** payout towards our estimate of NZ\$5.25 per kilo of **milk** solids at next week's annual results meeting," it adds. (rebecca.howard@wsj.com; @FarroHoward)

**TD**

16:53 EDT - A couple of recent research papers out of the Federal Reserve system have had a rather hawkish tone, prompting some analyst to project that shift on policy makers themselves. However, economists at Bank of America-Merrill Lynch downplay the prospect that the Fed is worried about markets pricing in too-late a first interest rate hike: "The dot plot is not a very good indicator of the Fed's likely exit path" although some of that very research is based on the chart of officials' rate expectations," says Ethan Harris. "All the FOMC members get equal weight in the dot plot, but on our view the hawks have very little weight in the policy decision. The hawks have had a very poor track record predicting growth, inflation and the Fed policy." (pedro.dacosta@wsj.com)

16:31 EDT - Sometimes being at the top of the league tables can be a curse. The next round of litigation claims for big banks may center on alleged foreign exchange shenanigans, where U.S. investigators have reportedly succeeded in getting some bank employees to turn into informants. Fitch says findings of wrongdoing could result in fines that are "material and widespread." That could be bad news for market leaders. In recent mortgage settlements, there appeared to be a close correlation between market share and the size of the fines. Bank of America (BAC) was proof of that. In FX, though, market leaders include Deutsche Bank (DB), UBS, Citigroup (C) and Barclays. In this case, BofA might be quite happy to be the laggard. (john.carney@wsj.com; @carney)

15:51 EDT - The AUD/USD "appeared to largely shrug off the weekend's **China** data releases" and has rebounded from lows around 0.8983 to sit at 0.9028 early in New Zealand, says BNZ FX strategist Kymberly Martin. She notes that Australia's central bank said the AUD was "overvalued" but there was no reference to "curbing" or "intervening" in the currency, which could mean low probability of the central bank stepping in to weaken the currency. The focus now turns to the RBA's September minutes that "will likely reinforce the view the RBA is on hold for a prolonged period," she says. (rebecca.howard@wsj.com; @FarroHoward)

15:39 EDT - Citi says to watch Bank of Mexico's minutes out Friday for signs that there was convergence among policymakers to hold the overnight rate at 3% at the September policy meeting, "which, in current conditions, would mean Banxico on hold during the rest of the year." Citi expects the minutes to show less contrasting views among **board** members than in June and July and to throw light on whether the lack of comments on recent monetary policy developments abroad in the September communique "may be interpreted as limited concerns on that front." (laurence.iliff@wsj.com)

15:12 EDT - In the latest violence to strike Colombia's oil sector, two contract workers for state-run Ecopetrol (EC) were killed by alleged leftist rebels while they were inspecting the country's second-longest oil pipeline, the Cano Limon. The workers, whose nationality wasn't disclosed, were fatally shot Sunday in Norte de Santander state by fighters with the second-largest rebel **group**, the ELN,

the military says. The ELN and a larger rebel **group**, FARC, are in parallel peace talks with the government. Guerrillas blew up pipelines 259 times last year, but deadly attacks on oil workers is relatively uncommon. Ecopetrol has called on authorities to investigate. (dan.molinski@wsj.com; @dmwsj)

15:07 EDT - Peru's new finance minister will face pressures to reactivate the economy, says Teneo Intelligence, which calls Alonso Segura's appointment a "strong signal of policy continuity and indicates that economic management will remain largely shielded from political uncertainties." Still, growth remains weak, as seen by the 1.16% year-over-year increase in GDP for July. "With growth of 2.98% in the first 7 months of this year, Mr. Segura faces immediate pressure to reactivate the economy," says Teneo. (robert.kozak@wsj.com)

15:04 EDT - As S&P looks at the coming Brazil presidential race, it notes that the country's growing, dissatisfied middle class is looking beyond economic security and demanding more and better government services in return for its taxes. That may not be a good sign for incumbents. While next month's balloting is set to end in a runoff between the top 2 vote-getters, S&P notes each of the prior 3 elections did as well—including both times the popular Lula eventually won. (reed.johnson@wsj.com)

14:26 EDT - Citigroup says Saudi Arabia cut its oil exports 400k barrels/day in August and will reduce shipments another 320k **b/d** this month. Booming US oil production is "threatening to sever" the link between geopolitical worries and **equity** markets, as oil prices are falling and equities are strong despite risks of supply disruptions in the Middle East and elsewhere, Citi says. The bank points out that US net oil imports are down 8.7M **b/d** since 2007, "roughly equivalent to total Saudi and Nigerian exports." (nicole.friedman@wsj.com; @NicoleFriedman)

12:53 EDT - Poor economic performance, high interest rates and inflationary pressures combine to spur higher defaults by Brazilian companies, says credit-rating bureau Serasa Experian. In July a total of 3.6 **million** companies had non-performing loans, compared with 3.28 **million** in the year ago period. The July level was the highest recorded by Serasa, which started to compile this data in July 2012. The highest rate of non-performing loans were at retail companies linked with the beverage and auto industries. (rogerio.jelmayer@wsj.com)

1645 GMT [Dow Jones]--The Scottish referendum is a peculiar case for investors, says BlackRock, who only woke up to the risks over the past two weeks after polls suggested a realistic chance that Scotland will vote for independence. "The vote is most important for the U.K., but Scottish independence would have broader significance as well, particularly for the rest of Europe," says Russ Koesterich, BlackRock's global chief investment strategist. At the very least, sterling and other U.K. assets would likely come under additional pressure, he adds. "In addition, given that Scotland is typically more pro-European Union than the rest of the U.K., a departure could raise the odds of an eventual U.K. exit from the EU, which would only add to uncertainty in the region." (chiara.albanese@wsj.com @chiaraalbanese)

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12:08 EDT - The fear of the day, according to Wells Fargo: Will a **Chinese** real-estate meltdown pull the global economy down with it? The bank notes debt-to-GDP in **China** has increased significantly in the past five years, with much of the debt building in the real-estate sector. Now, as property prices start to move lower, the bank says "some analysts worry that a debt-inspired collapse of the **Chinese** economy is at hand." If the world's second largest economy takes a tumble, the rest of the world will be impacted, Wells Fargo says. A collapse is "not imminent," Wells says, but "the American experience of the past decade shows that the implosion of a house price bubble does not necessarily happen overnight, and the ultimate financial crisis may not occur until a few years after property prices begin to decline...Stay tuned." (greg.zuckerman@wsj.com)

(END) Dow Jones Newswires

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