

HD **Bell Potter Wary China Steel Output May Fall, Hit Iron-Ore Prices -- Market Talk**

WC 1,705 words

PD 22 July 2014

ET 12:16

SN Dow Jones Institutional News

SC DJDN

LA English

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0216 GMT [Dow Jones] Iron-ore prices have stabilized after a surplus-induced tumble in recent months. The next risk to prices: a seasonal downturn in Chinese steel production. "China's blast furnace steel production is highly seasonal," Bell Potter analysts Stuart Howe and Fred Truong write in a note. Since 2010, blast furnace steel production has tended to fall 12%-20% in August-October compared with its February-July peaks, they estimate. "Domestic Chinese iron-ore production also tends to strengthen into the second half of the calendar year," they say, adding: "Should the seasonality continue, seaborne iron-ore demand could again come under pressure" in 3Q14. Iron ore fell 0.6% Monday to US\$96/ton. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

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0214 GMT [Dow Jones] BMD CPO is "stuck" in a tight MYR2,280-MYR2,330/ton range with downside risk setting in after prices closed below the MYR2,330/ton level, says a Kuala Lumpur-based broker. Crude palm-oil is weighed by the weak soy complex and ample oilseeds production this year, although positive export data recently is likely to limit losses, says another broker in the Malaysian capital. Benchmark October CPO closed 0.5% lower at MYR2,297/ton Monday. (huileng.tan@wsj.com; Twitter: @huileng_tan)

0146 GMT [Dow Jones] USD/MYR has just entered the daily Bollinger downtrend channel -- which caps at 3.1730 -- and is likely to drop further to the base of the channel at 3.1560 on an intraday basis, implying a stronger ringgit versus the U.S. unit. The lack of follow-through from the risk aversion seen late last week has convinced traders that there is little panic in the market - and that they should therefore sell the safe-haven dollar. The ringgit suffered moderately when news of the MH17 crash surfaced last Thursday. But now most market participants expect little repercussion from the alleged downing of the Malaysia Airlines flight by pro-Russian separatists. Ringgit traders are back to focusing on general U.S. dollar direction and broader signs of investor sentiment. USD/MYR is now at 3.1730 from Monday's close of 3.1715. (ewen.chew@wsj.com)

0145 GMT [Dow Jones] Despite the usual buy-the-rumor-sell-the-news momentum to political events, such as the Indonesian presidential election, the rupiah may still rally further on results confirming a Widodo victory, Rabobank says. That's because "there has been particular uncertainty over this election due to the tight margin and worries over electoral irregularities," Rabobank explains. But the bank says no such rally is expected if presidential contender Prabowo Subianto still disputes the official vote count. The rupiah strengthened to an eight-day high of 11,500 against the U.S. dollar Tuesday morning. Spot USD/IDR was recently at 11,515. (jerry.tan@wsj.com)

0132 GMT [Dow Jones] WorleyParsons Ltd. (WOR.AU) is a tough nut to crack. "No company has given us a greater reminder over the past few years of the perils of just believing what your model tells you," Credit Suisse analysts led by Mark Samter write in a note. "A confluence of factors make us more nervous on the short term for Worley, but equally as convinced that there is a point when you want to pin your ears back on this stock," they say. The analysts argue Worley is a capital-light, high cashflow business with the majority of its revenues coming from the oil-and-gas sector, which has expanded around 10% CAGR for four decades. They also say the longer the current downturn in investment

continues, the stronger the next upcycle should be. Still, they are wary. "With continuing weak markets and FX turning against them, we are concerned that the risks to our A\$276 million NPAT (net profit after tax) forecast are to the downside," they say. WOR trades up 0.7% at A\$18.50. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0132 GMT [Dow Jones] A number of gold miners need to build a pipeline of projects capable of replacing existing production from 2018, making M&A activity more of a theme among listed stocks, says Macquarie. Potential acquirers include Goldcorp (G.T), Kinross Gold (K.T) and OceanaGold Corp. (OGC.AU) while Macquarie's lengthy target list includes AuRico Gold (AUQ.T) and Kirkland Lake Gold (KGI.T). "With a volatile gold bid mainly driven by macroeconomic events from Russia-Ukraine, we still believe and valuations amongst the single asset producers and developers still being attractive, we expect a number of accretive deals with high ROI potential to be completed in this volatile market before the year-end," Macquarie says. Deal emphasis will be on producing mines. (david.winning@wsj.com; @dwinningWSJ)

0127 GMT [Dow Jones] Momentum in policy easing in **China's property** sector is picking up, from both the central government and local authorities, notes Barclays Research. According to a report from 21st Century Business Herald, **China's** housing minister Chen Zhenggao said in a recent meeting that destocking of housing inventory is a priority. This means local authorities would be more flexible in their own **property** measures and the policy environment will likely become more accommodative. Meanwhile, the securities regulator approved the issuance of a domestic corporate bond by mid-size developer Future Land Development Holdings (1030.HK), "suggesting further liquidity easing for developers." "While the physical housing market has stayed quiet amid the slack season, the improving policy and liquidity prospects should be supportive for share price performances," Barclays adds. (esther.fung@wsj.com, Twitter: @estherfung)

0119 GMT [Dow Jones] **Hong Kong** equities are seen recovering slightly as geopolitical tensions around Ukraine ease, after the UN Security Council unanimously voted to allow investigators access to the crash **site** of flight MH17, averting a stand-off between the West and Russia. The Hang Seng Index fell 0.3% to 23,387.14 yesterday, the third consecutive day of declines. Index futures nudge up 0.2% ahead of the market open, as RHB Retail Research says technical indicators show that "the upside drive might be losing some strength." Inflation data for **Hong Kong** released yesterday showed consumer prices rising at 3.6%, in line with market expectations but the slowest increase in more than a year. ING says falling clothing and footwear prices during the month shows "evidence of declining inflation expectations" in the city, having previously been boosted by rising **property** values. (gregor.hunter@wsj.com; Twitter: @gregorhunter)

0107 GMT [Dow Jones] Market focus over the next few days will be on U.S. housing data (existing sales out later in the global trading day and new **residential** sales Thursday) and euro zone PMI Thursday that could help weaken the EUR/USD, says Nomura Securities chief FX strategist Yunosuke Ikeda. Solid U.S. housing data likely given substantial recovery in business sentiment among U.S. housing industry. On the other hand, euro zone economy appears to have entered cyclical weakness. The differential in economic conditions could help weaken the EUR/USD but "unlikely to lead to a big trend" with many short-term players expecting speculation about Fed's monetary policy unlikely to spread until next month. The EUR/USD now at 1.3526 against 1.3525 late Monday in New York. (hiroyuki.kachi@wsj.com)

0058 GMT [Dow Jones] New Zealand's central bank is likely to "plough on with its hikes to ensure limited back-sliding in two- and three-year mortgage rates that are little changed from the beginning of the year," says Greg Gibbs, Head of Asia-Pacific Markets Strategy at RBS. Gibbs is expecting a 25bp rate increase Thursday "despite evidence that inflation is more contained and the momentum in the economy has waned a little further since 1Q." However, the central bank may then "decide to hint at a pause after significant rate rises this year and a stronger NZD," he says. If so, "it may cause a modest further weakening in the NZD," he says. The NZD/USD is at 0.8677. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0052 GMT [Dow Jones] The Nikkei is up 0.6% at 15302.73, firming before a series of earnings results for the April-June quarter are released later this week, says Mitsushige Akino, chief fund manager at Ichiyoshi Investment Management. Japanese stocks are also tracking some gains posted in New York and other markets over the past two sessions as fears eased over Eastern Europe and Middle East geopolitical concerns. Tokyo markets were closed Monday for a national holiday. "Fundamentally, though, nothing about geopolitical risk has changed," he says. "We are keeping an eye on it." Of 33 Topix subindexes, 31 sectors are higher with steel leading gains. Nippon Steel & Sumitomo Metal (5401.TO) is up 2.2% to Y310.6. (kosaku.narioka@wsj.com)

0039 GMT [Dow Jones] The rupiah may suffer from a "**buy**-the-rumor-sell-the-fact" phenomenon as Indonesia releases the results of its presidential election. As most investors have positioned for a win for Jakarta governor Joko Widodo, profit-taking could see the USD/IDR bounce back out of the daily

Bollinger downtrend channel that currently caps at 11,610. But if this resistance level is respected, and the dollar slips further past 11,570 - the base of the daily Ichimoku Cloud support zone -- there might be more rupiah strength ahead. Market players have already factored in a win for the crowd favorite Widodo, but economists are likely to highlight the lack of legislative majority for the victorious political alliance as a mildly negative factor. The wild card might be that the Golkar party, which backed main rival Subianto Prabowo, decides to switch sides and ally with Widodo's PDI-P. USD/IDR closed Monday at 11,570 and is expected to open around that level Tuesday. (ewen.chew@wsj.com)

(END) Dow Jones Newswires

July 21, 2014 22:16 ET (02:16 GMT)

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AN Document DJDN000020140722ea7m0001v