DOW JONES NEWSWIRES

HD **Aussie Central Bank May Struggle to Keep Neutral Bias: JPM -- Market Talk**

WC 1,492 words

PD 15 August 2014

ET 13:11

SN Dow Jones Institutional News

SC DJDN

LA English

LP

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0311 GMT [Dow Jones] The recent downward economic growth and inflation forecast revisions by Australia's central bank show it could struggle soon to hold onto its neutral bias, says Sally Auld, debt strategist at JPMorgan. She adds that any further downgrades in the second half of the year will be consistent with rate cuts, likely after its November Statement on Monetary Policy. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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0308 GMT [Dow Jones] After Japan's closely watched 10-year government bond yield fell below 0.500% for the first time in over a year to 0.495%, Finance Minister Taro Aso acknowledged that lack of momentum in the nation's economic growth is driving money into safe-haven assets. "It's hard to say the economy has achieved a full-fledged recovery," with Japanese companies still reluctant to borrow from banks to finance capital investment, Aso said. "Deposits are growing, but there is no one in the market wanting to borrow, so banks are channeling all the money into government **bonds**" to eke out profits, he added. But as the head of the government office whose top priority is raising the sales tax, Aso made sure of reiterating that a mild economic recovery is continuing. (takashi.nakamichi@wsj.com)

0252 GMT [Dow Jones] The amount of new dim sum **bonds** is likely to slow in the second half of this year, as demand is damped by higher cross-currency swap rates, according to Standard Chartered. Dim sum **bonds** are those denominated in yuan but issued outside mainland **China**. The **firm** estimates the issuance of CNH **bonds** will slow to CNY200 **billion** from CNY370 **billion** in the first half. "With swap rates rising by [1 percentage point] since March, it is no longer attractive to buy dim sum **bonds** on an asset swap basis," the house says, referring to USD-based bond buyers. On the supply side, "improved onshore financing conditions and a decline in USD funding costs" also contribute to fewer issuance in such **bonds** for the rest of year, Standard Chartered says. (fiona.law@wsj.com)

0242 GMT [Dow Jones] **China**'s yuan rises further Friday to test the 6.1500 key level. The yuan hit 6.1487, its strongest level since March 14, but is now at 6.1500 to a dollar. The yuan's Thursday close was at 6.1531. "But trading is light ahead of weekend, and we aren't sure whether the dollar-yuan will be able to close below the 6.1500 level," says a Shanghai-based foreign bank trader. **China**'s central bank data show the country's banking system purchased a net 37.84 **billion** yuan of foreign currency in July, suggesting capital inflows. The central parity is set at 6.1538 vs. 6.1545 Thursday. Offshore, one-year USD/CNY NDFs are down at 6.2285/6.2305 from 6.2340/6.2360 late Thursday. (wynne.wang@dowjones.com)

0236 GMT [Dow Jones] Banks in Fujian, Shaoxing and Sichuan haven't taken notice of moves by local governments there to relax mortgage restrictions--particularly for second homes, CIMB Securities says. "Local credit officials say they haven't received notice from bank headquarters to change mortgage policies," analyst Johnson Hu says. "Meanwhile, they generally responded that local banks will follow PBOC, CBRC and bank headquarters' rules rather than local governments." Property analysts expected a friendlier policy environment in the second half supporting the housing market and banks are generally expected to lower mortgage rates. But the extent of discounts may not be as favorable as anticipated. (esther.fung@wsj.com, Twitter: @estherfung)

0231 GMT [Dow Jones] Consolidation remains the theme for USD/IDR as technical signals continue to look vague. The daily chart shows a strong cap forming near 11,720-11,730 where the daily Ichimoku Cloud resistance zone meets the Bollinger uptrend channel, but the 20-day Bollinger mid support at 11,650 may continue to prop the dollar up. The Indonesian central bank kept its benchmark lending rate steady on Thursday as expected, causing little reaction in the currency. Indonesia's widening current account deficit for the second quarter--at 4.3% of gross domestic product versus 2.1% in the first quarter--was attributed to seasonal factors. The new government's pledge to gradually eliminate fuel subsidies should reduce **oil** imports and thus improve Indonesia's trade deficit in the medium term. USD/IDR is now 11,695 from its Thursday close of 11,670. (ewen.chew@wsj.com)

0229 GMT [Dow Jones] New Zealand house price expectations remain elevated in the latest ASB Housing Confidence Survey, despite the impact of loan-value ratio restrictions and a series of interest rate increases seen so far this year. According to the survey, a net 49% of respondents expect house prices will increase. However, the survey also notes that "on balance respondents are increasingly negative about whether now is a good time to buy." Net 11% of respondents seeing now as a bad time to buy a house is the worst sentiment since October 2007, the survey says. "The combination of rising mortgages, expensive housing and lending restrictions will all be playing a part in the decline in sentiment," it says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

0228 GMT [Dow Jones] **China** shares are subdued after Thursday's drop as investors are reluctant to chase blue chips higher in the absence of encouraging headlines about economy, say analysts. The Shanghai Composite Index is up 0.1% at 2208.27, and is tipped to trade in 2200-2250 band. "The market is likely to move sideways in the coming sessions before making a breakthrough," says Shen Gang, an investment adviser at Dongxing Securities, and adds that blue chips' rebound has stalled and the trading volume failed to expand further. Property developers stabilize following recent losses; **China** Vanke (000002.SZ) adds 0.3% to CNY9.39. **Coal** miners and metal firms remain subdued; **China** Shenhua **Energy** (601088.SH) loses 0.8% to CNY15.37. The Shenzhen Composite Index is 0.2% higher at 1190.02. (amy.li@dowjones.com)

0214 GMT [Dow Jones] BMD CPO may see some upside Friday after prices tanked to a five-year low Thursday, although overall sentiment remains bearish due to weak soyoil prices amid prospects for a bumper harvest this year, says Ambank in a note. Another broker in Kuala Lumpur says trade is likely to be cautious ahead of August 1-15 export data, and sees strong "temporary" support at MYR2,115/ton. Benchmark October BMD CPO settled 2.0% lower at MYR2,133/ton Thursday. September CBOT soyoil is flat at 33.53 cents/lb in electronic trade. (huileng.tan@wsj.com; Twitter: @huileng_tan)

0206 GMT [Dow Jones] While there are downside risks for both inflation and consumer spending from the recent weaker-than-expected readings on wage rises and employment in Australia, the central bank's economic growth forecasts for this year are already quite soft, says Paul Brennan, chief economist at Citigroup, Australia. The Reserve Bank of Australia would probably need to downgrade its outlook for growth and inflation next year further before considering shifting back to an easing bias, he adds. This would require "more comprehensive evidence" that negative forces are shaping the medium term resulting in still higher unemployment, Brennan says. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0202 GMT [Dow Jones] The Australian data released over the course of this week suggest that underlying conditions in the economy are more robust than the increase in the unemployment rate seen in July would suggest, says David Plank, strategist at Deutsche Bank. The business conditions and forward orders components of the NAB monthly business survey posted solid gains in July, while consumer sentiment has now largely recovered from the post-budget slump, he adds. That said, sentiment does remain below the levels seen at the end of last year and the start of this year, Plank says. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0200 GMT [Dow Jones] USD/MYR has veered into the daily Bollinger downtrend channel but needs a close Friday below 3.1730 to confirm this bearish technical signal. Malaysia releases its second-quarter gross domestic product data at 1000 GMT. A number better than the median forecast of 5.8% growth could add fuel to the ringgit's rally versus the U.S. dollar. Confirmation of the Bollinger downtrend channel coming into play would aim USD/MYR toward the base of the weekly Ichimoku Cloud at 3.1530. USD/MYR is at 3.1720 vs Thursday's close of 3.1770. (ewen.chew@wsj.com)

(END) Dow Jones Newswires

August 14, 2014 23:11 ET (03:11 GMT)

CO rbkaus : Reserve Bank of Australia

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AN Document DJDN000020140815ea8f000gk

