

HD Credit Suisse Lowers Target Price on Kathmandu, Maintains Outperform -- Market Talk

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2257 GMT [Dow Jones] Credit Suisse lowers its 12-month target price on Kathmandu (KMD.NZ) to NZ\$3.60 from NZ\$3.90 after the **company** says sales through June, and in particular since the start of the **company**'s winter sales promotion, have been significantly below expectations in both Australia and New Zealand. However, it retains its outperform rating as it believes "KMD remains a long-term sustainable growth story." It notes that "certainly KMD has proved in the past it can recover from short-term weather events." The stock is trading at NZ\$3.15. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

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18:45 EDT - Oversupply in the thermal **coal** market isn't likely to lift for the foreseeable future, prompting Credit Suisse to cut its forecasts for Australian thermal **coal** sold from the Port of Newcastle. The broker now expects thermal **coal** ex-Newcastle to average US\$76/ton this year, down from a previous estimate of US\$80. Credit Suisse also thinks thermal **coal** will average US\$80 in 2015, compared to an earlier forecast of US\$83. "Recent price declines have been insufficient to generate meaningful supply rationalization, making it extremely difficult to forecast anything but an anaemic recovery for thermal **coal**," Credit Suisse says. Compounding the problems caused by oversupply, electricity generation in **China** is offering very little in the way of a demand pull for seaborne **coal**. (david.winning@wsj.com; @dwinningWSJ)

17:50 EDT - The Obama administration has quietly granted permission to two companies to begin exporting minimally processed American crude, in the first softening of the US's four-decade ban on shipping domestic **oil** supplies overseas, according to a WSJ scoop. Traders have been betting the US would eventually allow exports, and that the spread between the US and global benchmarks would converge. Not much doing there yet; spread stands at \$8.19. As for shares of the two companies, Enterprise Products Partners (EPD) shares inactive after-hours and Pioneer Natural Resources (PXD) up 0.2%. (christian.berthelsen@wsj.com)

17:36 EDT - An "unexpected bout of risk aversion" has caused short-term damage to AUD/USD and NZD/USD, says Westpac currency strategist Imre Speizer. He says initial optimism fueled by some strong US data were reversed later in the session on geopolitical concerns after over Iraq hit nerves. Speizer notes the only thing on the local calendar is Australia's RBA Deputy Governor Lowe's speech in Melbourne and **China**'s consumer confidence survey. AUD/USD last at 0.9369 from 0.9412 late Tuesday in Sydney. NZD/USD at 0.8676 from 0.8720 late Tuesday in Wellington. (lucy.craymer@wsj.com; @lucy_craymer)

17:23 EDT - The New Zealand Debt Management Office's plan to issue a new 2027 government bond helps steepen the yield curve, says BNZ strategist Kymberly Martin. The yield on New Zealand 2023 **bonds** push up 2 bps to 4.46%. Ten-year swap push 4 bps higher to 4.90%. Martin says the increase in interest rate swaps may also have been "assisted by a lull in the recent flurry of Kauri sovereign, supranational and agency issuance." Martin adds the **firm** continues to see hedging value in 2- to 4-year swaps. "We see current 'fair value' on 2-year swap around 4.40%, some 20 bps above current levels." Five-year swap sits at 4.58%. (lucy.craymer@wsj.com; @lucy_craymer)

17:05 EDT - NZD/USD is lower as the greenback performs well overnight following upbeat consumer confidence and new home sales report, says ANZ. "The US data trend remains broadly strong, and some USD strength should be expected." ANZ adds, however, that despite the trend, the third reading on 1Q US GDP and May durable goods orders due later in the global day are both expected to remain

subdued. Pair is at 0.8673 from 0.8720 late Tuesday in New Zealand. ANZ expects the pair to trade in a short-term range of 0.8660 to 0.8725. (lucy.craymer@wsj.com; @lucy_craymer)

16:53 EDT - There were some eye-popping numbers in the May new-home sales: the biggest single-month jump in sales since January 1992 (18.6%), the highest level for sales since May 2008 (a seasonally adjusted annual rate of 504k). But the most important number may be 0.8%. That's how much new-home sales were up in the first five months of 2014 compared with the same period a year earlier. A lot of the excitement fades when that month-to-month volatility is filtered out. "Future months will tell us whether new-home sales really are closer to flat, or on a big upward climb," says Jed Kolko, chief economist at the real-estate website Trulia. (ben.leubsdorf@wsj.com)

16:23 EDT - Many economists believe two months of strengthening inflation in Canada suggest a sustained recovery in price pressures, but Capital Economics, long a bear on the Canadian economy, takes a contrarian view. **Firm** says the pick-up in inflation mainly reflects volatility in **energy** and food prices, and believes it won't change the Bank of Canada's neutral view on rates. "With exports and investment still underperforming and housing slowing, the disinflationary effects from the excess slack in the economy are likely to intensify, leaving the downside risks to the inflation outlook essentially as important as before," CapEcon says. That will be masked for the time being by the pass-through effects on inflation from the lower Canadian dollar, but that will prove temporary, it adds. (don.curren@wsj.com; @dbcurren)

15:47 EDT - NY Fed chief Bill Dudley's speech today almost exclusively focuses on troubling economic and financial issues in Puerto Rico, but nestled in audience Q&A comes the good stuff. Asked about the monetary policy outlook, Dudley says it appears financial markets largely agree the Fed will first increase interest rates from near zero around the middle of 2015. "That sounds to me like a reasonable forecast, but forecasts often go astray," so it's hard to say with certainty when the Fed will begin to raise interest rates. It's not surprising stuff from the FOMC vice chair, but it's a bit of confirmation where this influential policymaker has penciled in the move off of near-zero short-term rates. (michael.derby@wsj.com)

14:55 EDT - Citi first recommended breakeven positions (buying inflation-protected Treasuries against nominal Treasuries) at the 5-year TIPS auction on Dec. 19. The trade has profited with the yield gap expanding to 2.11 percentage points today from 1.74 on the back of rising inflation data in recent months. While 2-year breakevens may have room to gain if **energy** prices keep climbing, Citi sees a pause in the expansion of the 5-year yield gap, but looks to re-enter the trade if the gap shrinks again. Unwinding the trade in their model portfolio by selling the \$100M in April 2018 TIPS bought in December reaps a \$1.58M profit. (cynthia.lin@wsj.com; @cynthialin_dj)

14:38 EDT - The province's decision to transfer some functions of the finance minister to the post of Treasury board president in an effort to grapple with its C\$12.5B deficit will have to be judged on whether it actually delivers, says Travis Shaw, VP of public affairs at ratings **firm** DBRS. "To the extent this signals an increased focus on spending restraint and achieving those targets, that is certainly encouraging," he said. "Ultimately, we're going to need to see results." Liberal Party's success in securing a minority government in June 12 election gives it a mandate to implement some tough measures as it works to achieve its ambitious target of eliminating the deficit by 2017-18 fiscal year, Shaw says. (don.curren@wsj.com; @dbcurren)

13:24 EDT - The European Central Bank's latest steps to combat low inflation and boost bank lending will likely prove to be the right medicine, says governing council member Klaas Knot in Dutch parliament. "I cannot guarantee that it will work, but I do think it is the most targeted cure for the [euro-zone's] ills," says Knot, who is also the president of the Dutch central bank. He says the ECB's interest rate decisions have always influenced financing conditions in the currency bloc and "I'm confident it will remain that way." The Netherlands, which also suffers from low inflation and weak bank lending, could benefit from the ECB's measures, even when they cause some pain for Dutch savers and pension funds, Knot adds. (maarten.vantartwijk@wsj.com)

(END) Dow Jones Newswires

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