

HD Profit-Taking Lifts USD Versus Asia Currencies Before Economic Data -- Market Talk

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Contact us in Singapore. 65 64154 140; MarketTalk@dowjones.com

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0733 GMT [Dow Jones] The U.S. dollar overcomes initial weakness Thursday against Asian currencies as traders lock in profits on short-USD positions before a slew of U.S. economic data due later. The dollar has been declining this week due to reduced fears of the U.S. Federal Reserve prematurely raising interest rates after a mildly dovish statement by Fed chief Janet Yellen at Jackson Hole. But U.S. weekly jobless claims, home sales data and a revised U.S. second-quarter GDP report due today could upset bearish dollar views again. The U.S. dollar could rally if the U.S. 10-year Treasury yield rises back above 2.40% from its current 2.35%. Most USD/Asia currency pairs are now higher than their Wednesday closing levels, implying a weakening of these Asian currencies versus the greenback. (ewen.chew@wsj.com)

0707 GMT [Dow Jones]--The euro grabbed a small bid tone overnight, helped by Wednesday's comments from the German Finance Minister that strongly suggested the ECB may sit on its hands at next week's meeting. Despite Russia upping the tension with Ukraine, the USD does not see a safety bid, although both JPY and CHF remain in demand as a safe haven hedge. Up ahead Thursday, it's a crowded data slate with German inflation, euro-zone confidence surveys and the second estimate of U.S. 2Q GDP the top picks. (gary.stride@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0654 GMT [Dow Jones]--Gray market levels suggest that Italy's new 2.50% December 2024 BTP, which will be launched at an auction later Thursday, will come "rich" to the market, 13 basis points more expensive than the previous 10-year BTP in asset swap terms, says KBC. In yield terms, this is around 1 bp richer, it adds. "This factor could harm demand despite ongoing political market sentiment versus the periphery," KBC Bank says. However, the underperformance of Italian **bonds** of late versus Spanish peers should be a supportive factor for the new 10-year BTP. Italy will auction up to EUR8 **billion** in three **bonds**. KBC says overall it expects "plain vanilla" auctions. Results are due at 0900 GMT. (emese.bartha@wsj.com; @EmeseBartha)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0641 GMT [Dow Jones]--Credit Agricole CIB says it wouldn't be surprised by the manifestation of some pent-up demand at Italy's up to EUR8 **billion** bond auction Thursday, "resulting in a solid auction." Luca Jellinek, head of European rates strategy, says the main news flow challenge to European Central Bank-boosted sentiment in the periphery are the economic figures. At Thursday's auction, Italy will launch a new 10-year fixed rate bond, known as BTP, maturing in December 2024, as well as reopen the August 2019-dated BTP and the November 2019 CCTeu, a floating rate note. Auction results are due at 0900 GMT. (emese.bartha@wsj.com; @EmeseBartha)

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markettalk@wsj.com

0641 GMT [Dow Jones] If you are wondering why Japan's exports are languishing despite the yen's weakness, take a quick look at monthly production data released Thursday by top auto makers. Domestic output by Toyota Motor declined 3.7% from a year earlier in July, while its overseas output rose 9.5%. Nissan Motor said production volume tumbled 22.5% in Japan but rose 4.8% overseas. Mazda Motor cut its domestic production by 5.9% but rolled out 69% more vehicles outside of Japan. Bucking the trend was Mitsubishi Motors, whose result was up 1.3% in Japan but were down 3.2% abroad. For decades, policy makers could count on yen weakening to push up exports by making Japanese products cheaper and more competitive overseas. This time it hasn't happened. Weak exports have weighed on growth even as Tokyo took steps to stimulate the economy. (yuka.hayashi@wsj.com)

0640 GMT [Dow Jones]--Spain and Germany are scheduled to release inflation figures Thursday, and there are concerns that the figures may come out below expectations which would drive Bund futures higher, says DZ Bank. "If inflation comes in below the market consensus estimate today, we could see the Bund future establish a new all-time high," says DZ Bank analyst Birgit Figge. Adds the confirmation of virtually zero upward pressure on prices in Germany and sub-zero monthly inflation in Spain will keep the fears of disinflation in the euro zone alive, especially since these leads suggest euro-zone consumer prices will probably only rise at an annual rate of 0.3% in August, Ms. Figge says. Sep Bund future is trading at 151.41, up 0.11. (emese.bartha@wsj.com; @EmeseBartha)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0638 GMT [Dow Jones] The announcement Wednesday that **China's** central bank will cut interest rates by 100 basis points on relending to the farm sector (to 2.25%) and increase the agriculture relending quota by 20 **billion** yuan (\$3.26 **billion**) is the start of more targeted interest rate cuts, Mizuho said in a report. This move--combined with the State Council's announced list of "bottleneck" spending projects that need to be accelerated in the environment, healthcare and clean **energy** sectors--suggests that Beijing is becoming more proactive in supporting economic growth, the report said. "We expect to see additional cuts [in] interest rates and the RRR, as well as accelerated fiscal spending measures in coming weeks," Mizuho added, referring to the reserve requirement ratio, the amount that banks must keep with the central bank. (mark.magnier@wsj.com and on Twitter @MarkMagnier)

0632 GMT [Dow Jones] South Korea's widening current account surplus from overseas business helps keep the country's total balance in the black despite growing imports, says Nomura economist Kwon Young-sun. Imports grew faster than exports from January to July, which should contribute to a narrowing of the surplus, he said. "However, the larger overseas business surplus owing to improved global demand should offset the impact of stronger domestic demand on the total current account surplus," he said. The current account surplus from overseas business widened to \$2.8 **billion** in July from \$2.5 **billion** in June, while the surplus from business elsewhere narrowed to \$5.1 **billion** in July from \$5.4 **billion** in June. The country saw a current account surplus of \$7.91 **billion** in July--a 29th straight month in the black since in March 2012. (kwanwoo.jun@wsj.com)

0629 GMT [Dow Jones]--EUR/CHF has slipped below 1.2070, its lowest level since January 2013, due largely to concerns the European Central Bank is weighing quantitative easing measures should long-term euro-area inflation expectations ease further, says Commerzbank. "As long as this speculation persists the euro-franc will find it difficult to rebound," says Commerzbank analyst Antje Praefcke. "One thing however is certain: the downside is limited because the Swiss National Bank will resolutely defend its CHF1.20 per euro floor," she adds. EUR/CHF was last at 1.2069. (neil.maclucas@dowjones.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0626 GMT [Dow Jones]--Italy's new 2.50% December 2024 BTP, a 10-year fixed rate bond that will be launched at an auction Thursday, offers value versus the Spanish peer, says Commerzbank. As gray market prices show the 10-year BTP cheapening, Commerzbank recommends using the auction to take advantage of currently high pick-ups and to set up tactical 10-year Italy-Spain tightener. Italy will auction up to EUR8 **billion**, with the offer including the new 10-year BTP launch as well as the reopening of the August 2019-dated BTP and the November 2019-dated floating rate note, or CCTeu. Auction results are due at 0900 GMT. (emese.bartha@wsj.com; @EmeseBartha)

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markettalk@wsj.com

0615 GMT [Dow Jones] Taiwan shares end down 0.1% at 9478.37, as the market runs up against resistance after an extended bull run. Shares hit an intraday high of 9502.42, the highest in more than a month, buoyed by recent gains in tech shares on expectations of upcoming device launches. Some semiconductor heavyweights slid, with TSMC (2330.TW) down 0.4% at NT\$125.00. Apple suppliers continue to advance ahead of expected launches of new iPhones, with Hon Hai (2317.TW) up 3.7% at NT\$102.00 and Pegatron (4938.TW) up 0.3% at NT\$63.60. The Taiex is tipped to stay in a narrow 9450-9500 band on Friday. (eva.dou@wsj.com)

0537 GMT [Dow Jones] Investment by Australian firms is stronger than indicated by government data, and the country's central bank is too downbeat on the outlook for capital spending and GDP, says Diana Mousina, economist at CBA. She says there is a significant pick-up in commercial lending to non-mining firms underway while business surveys have shown a marked improvement not only in confidence and trading conditions but also in expected investment plans. Mousina adds that the government survey excludes major industries, like health and education, where capital is growing strongly. "We suspect that the non-mining growth transition is more entrenched than the RBA is currently expecting," she said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

(END) Dow Jones Newswires

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