DOW JONES NEWSWIRES

HD **S&P/ASX 200 Down 0.4%; Hits 2-Week Low Before GDP Data -- Market Talk**

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0106 GMT [Dow Jones] Australia's S&P/ASX 200 is down 0.4% at 5459.0 after hitting a two-week low of 5455 before domestic GDP data at 0130 GMT. Analysts are wary of a negative reaction if the data are weaker than expected, given the recent fall in **iron ore** prices and the post-budget slump in consumer confidence. "Investors will be conscious that a lot has changed since the first quarter," CMC Markets Chief Market Analyst Ric Spooner says. "These changes are likely to temper market reaction if first-quarter GDP turns out to be a bit stronger than currently forecast. A weaker than expected number could on the other hand fuel growing concerns about a tepid growth outlook." CBA (CBA.AU) falls 0.5% after hitting a record high Tuesday. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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0045 GMT [Dow Jones] Despite expectations of stronger 1Q GDP data, Australia's central bank is on track to cut rates early in the third quarter, according to Goldman Sachs. "Together with tightening financial conditions, a peak in domestic activity...and some further deterioration in domestic demand...we expect the RBA to move to an easing bias in August and deliver a rate cut in September 2014," GS economists say in a report. "We then expect the RBA to pause until mid-2015 where we expect the commencement of a very gradual and elongated tightening cycle." GS pushed its expected interest rate cut out from July to September last Friday. GDP data are due at 0130 GMT, with the market expecting growth of 1% Q/Q and 3.3% Y/Y. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0041 GMT [Dow Jones] Bell Potter figures Insurance Australia Group (IAG.AU) is a bank in all but name. A look at its numbers suggests it closely resembles a regional bank with a strong general insurance arm, Bell analyst TS Lim says. Its risk profile is lower than rivals such as Suncorp (SUN.AU) as well as the other banks thanks to the absence of credit risk, and with insurance risk mitigated by reinsurance and quota-share arrangements. Among other comparisons, the analyst notes IAG's superior return on **equity** currently is in excess of 20%. "Given the strong historical correlation between ROE and the price/book multiple, we assert that IAG should then be priced at 2.2 times book value as if it were a bank." Bell arrives at a target price of A$6.60/share and retains a buy recommendation. IAG is trading down 0.3% at A$5.89. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0031 GMT [Dow Jones] ASX (ASX.AU) continued to benefit from capital raisings in May, despite listed shares underperforming other major markets. Figures from the Australian bourse show capital raisings jumped 49% on the year to A$8.8 **billion**. However the value of ASX-listed stocks rose just 0.1% against the likes of **Hong Kong** which advanced 4.3%, Germany which rose 3.5% and Japan which was up 2.3%. Across cash markets, the average daily value traded on-market in May was down 20% at A$3.1 **billion** and the average number of trades each day was 24% lower. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0023 GMT [Dow Jones] Aussie banks aren't as expensive as they look, according to Deutsche Bank. "Whilst the headline price-to-earnings ratio of the banks suggests [they] are overvalued at this point we believe that this simplistic analysis is misleading with our analysis showing that the banks are slightly cheap/fair value with relative valuations in line or below historical levels, dividend yield remaining supportive and earnings revision trends likely to favor the banks with bank PER's based on conservative forecasts," Deutsche Bank analysts say. While the bank's average forward PER of 13.7 times is a 12% premium to the 10-year average banks are fair-value/cheap when considering relative valuations to the market, compelling dividend yields and relative earnings certainty, it says. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0002 GMT [Dow Jones] Iron ore appears oversold, and there is the possibility of a 10%-15% rebound in the coming months, ANZ says in a report. Buying by traders and steel mills has remained subdued as the market searches for a bottom, the bank notes. "Traditional indicators such as the cyclical decline in steel inventories and improved manufacturing activity are supportive of a price rise." Iron ore rose 0.4% to $92.50/ton Tuesday. (arpan.mukherjee@wsj.com; Twitter: @ArpanMukherjee)

2344 GMT [Dow Jones] Base metals are likely to remain under pressure due to soft economic data from China and Europe overnight. While HSBC's China final manufacturing PMI data for May slowed compared to an initial reading, analysts say that manufacturing activity in China is not getting worse. The PMI reading for May was better than the reading of the previous month. Traders are likely to wait for the release of U.S. employment data, due Friday. Base metals are sensitive to economic data because of their widespread use in manufacturing and construction. LME 3-month copper ended down 0.9% Tuesday at $6,865/ton and aluminum slipped 0.2% to $1,845.50/ton. (arpan.mukherjee@wsj.com; Twitter: @ArpanMukherjee)

2321 [Dow Jones] Boart Longyear's (BLY.AU) recapitalisation options are challenging, as an equity raising would need to be deeply discounted to account for lack of earnings visibility, and a strategic buyer would be unlikely to pay a large valuation while revenue is low, Credit Suisse analysts say. They slash their target price to 10 cents from 16 cents and keep their Underperform rating after the 1Q trading update last month. BLY last A$0.19. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2303 GMT [Dow Jones] Low iron-ore prices need a shot in the arm from either output cuts in Australia or economic stimulus in China, and UBS finds there's little to cheer on either front. New supply from mines owned by Fortescue Metals (FMG.AU) and Rio Tinto (RIO) in the Pilbara region of Western Australia state continues to weigh on iron-ore prices, which rose 0.4% to US$92.50 a metric ton on Tuesday. Moreover, UBS says it's unlikely that economic stimulus in China will offer much support for bulk metals trades. "The window to deploy such commodities in steel-intensive sectors of property and infrastructure is closing for 2014," the broker says. UBS expects iron-ore prices to stay between US$90 and US$110 on a cost-and-freight basis through 2014, but flags downside risks as steel output usually pares back in September-October. FMG and RIO last traded at A$4.48 and A$59.65, respectively. (david.winning@wsj.com; @dwinningWSJ)

2251 GMT [Dow Jones] All signs point to a very soft month for Australian retail sales in May, as poor consumer sentiment following the federal budget and warmer weather take their toll, says UBS. The broker cites the BDO Australian Retail Sales index, which suggests retail sales fell 6% on-month in May. "Trade feedback has pointed to double-digit declines in sales across apparel post the budget," UBS says. Myer (MYR.AU), David Jones (DJS.AU) and Premier Investments (PMV.AU) are most at risk should trends continue, the broker says. Instead, investors seeking a position in the sector should look at Woolworths (WOW.AU), Harvey Norman (HVN.AU) and JB Hi-Fi (JBH.AU). UBS's analysis follows Tuesday's data from the Australian Bureau of Statistics, which showed April retail sales rose 0.2% from a month earlier--in line with market expectations and the 12th straight monthly increase. (david.winning@wsj.com; @dwinningWSJ)

2247 GMT [Dow Jones]--UBS lists its favorite Aussie small caps (excluding mining companies and infrastructure) based on earnings risk and cash flow. Breville Group (BVG.AU), Virtus (VRT.AU), Transpacific (TPI.AU), Ardent Leisure (AAD.AU), Premier Investments (PMV.AU), Nine Entertainment (NEC.AU), Automotive Holdings (AHE.AU) and FlexiGroup (FXL.AU). The broker notes that small industrials are now trading slightly below their historic discount to large industrials. (david.rogers@wsj.com)

2241 GMT [Dow Jones]--With few cues coming out of U.S. markets, those in Asia Pacific will be looking for local factors to drive their indices, says Craigs Investment Partners broker Belinda Stanley in Wellington. The Dow and the Nasdaq both closed down 0.1% Tuesday. She adds that locally a softer NZD will support companies that derive earnings offshore, such as Xero (XRO.NZ) and Auckland Airport (AIA.NZ) which own offshore airports. Energy companies may remain in focus as players assess the possible implications of the Green Party's proposed carbon tax plan. The NZX-50 is currently trading down 0.1%. (lucy.craymer@wsj.com)

(END) Dow Jones Newswires

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