

HD **Australia ASX 200 Up 1.2% in Early trading -- Market Talk**

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

0054 GMT [Dow Jones] Australian equities are up strongly early, with the benchmark index recovering from its lowest closing level since April on Tuesday. The S&P/ASX 200 is up 1.2% at 5440.3, with all major subindexes higher. A pickup in the **iron-ore** price helps the **mining** sector, with BHP Billiton (BHP.AU) up 1.8%, Rio Tinto (RIO.AU) up 1.4% and Fortescue Metals Group (FMG.AU) up 2.3%. The major banks also recover, with Westpac (WBC.AU) and Australia & New Zealand Banking (ANZ.AU) both 1.3% higher and National Australia Bank (NAB.AU) ahead 1.6%. Looking ahead, local trade balance figures are due later in the session while traders shall await key employment figures due for the U.S. tonight, says Tracey Warren at CMC Markets Stockbroking. robb.stewart@wsj.com; Twitter: @RobbMStewart)

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0049 GMT [Dow Jones] Drier weather and declining grain harvests will push up feed costs for livestock, consultant **company** IBISWorld says and predicts industry revenue from sheep and beef-cattle farming will fall by a "staggering" 22.6% over the next year to A\$7.61 **billion**. "Unfortunately, bets are on for El Nino in late 2014 meaning drier conditions with low rainfall--something pastoralists are unlikely to welcome," IBISWorld general manager Daniel Ruthven says. (david.winning@wsj.com; @dwinningWSJ)

0030 GMT [Dow Jones] Morgan Stanley's Head of Asia FX & Rates Strategy Geoff Kendrick reiterates his call for parity on AUD/USD this year after Tuesday's Reserve Bank statement which saw the RBA step back from trying to talk down the exchange rate, in his view. "This new regime of acceptance is consistent with the feel I got on my recent trip to Australia where the degree of rebalancing in the economy was evident," he says. "It's also consistent with an RBA which now accepts it can do nothing to stop Australian dollar's rise. We reiterate our forecast for AUD/USD to reach 0.9800 in Q3 and parity in Q4." But Mr. Kendrick adds that there's pretty universal agreement among clients that the Aussie will turn down again after a rise to parity, as the U.S. dollar is eventually expected to rise in anticipation of higher U.S. interest rates. AUD/USD last 0.9488. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

18:24 EDT - Early indications are that demand for the New Zealand Debt Management's 2027 bond will be fairly strong, says BNZ strategist Kymberly Martin. "We suspect the NZ\$2 **billion** maximum target will be issued." She adds that there was some selling of NZ **bonds** ahead of this deal, with yields pushing higher by 5 bps across the curve. The yield on NZ 2023 Government Bond now sits at 4.45%. The NZ Debt Management Office announced Tuesday it would launch between NZ\$1B and NZ\$2B NZ government **bonds** via syndication on July 2. (lucy.craymer@wsj.com; @lucy_craymer)

18:04 EDT - S&P warns it believes there is at least a one-in-two probability Argentina will not make up for the interest payment it missed on June 30 within its 30-day grace period, which started today. The ratings **firm** puts the nation's rating on negative watch, saying it will lower it to "selective default" if Argentina fails to pay the delinquent interest payment within the grace period or if it undergoes a debt exchange. It remains up in the air if Argentina will cure the payment in time as it negotiates with holdout creditors from a prior restructuring. S&P currently has Argentina rated CCC-. (cynthia.lin@wsj.com; @cynthialin_dj)

17:53 EDT - The rash of investment in Mexico's auto assembly sector appears to be stoking hotel bookings, says Credit Suisse analyst Vanessa Quiroga. Cities like Puebla, home to a Volkswagen plant, posted some of the country's highest growth rates in hotel occupancy last year, she notes, even beating out popular Mexican beach destinations. Sources say BMW is set to join the Mexican auto-industry boom with a \$1B assembly plant, possibly in the central state of San Luis Potosi, while last week Daimler and Nissan said they will spend around US\$1.4B on a new Mexican plant. Mexico is currently the world's eighth-largest producer of vehicles, but the government aims to leapfrog into the No. 6 spot by late 2018. (amy.guthrie@wsj.com)

17:42 EDT - Fed Chair Janet Yellen speaks at the IMF Fund Wednesday, including a Q&A session with the Fund's managing director Christine Lagarde. Given the IMF's focus on global financial stability, BNP Paribas economist David Tinsley writes in a note to clients that Ms. Yellen "is likely to describe financial-stability concerns as manageable...while also noting specific risks that are on the Fed's radar." Ms. Lagarde has been outspoken about the need for the U.S. to keep rates low for a good while longer, a message that will likely get little opposition from Ms. Yellen. (pedro.dacosta@wsj.com)

17:09 EDT - Mexico's tax overhaul has been effective in boosting government revenue, with tax income jumping 8.7% during the first five months of 2014 over the same period a year earlier, writes Alfredo Coutino, Latin America Director for Moody's. But little has been done to control public spending, which jumped 12.6% during the same comparative period. The government "is wasting an opportunity" to give fiscal policy greater counter-cyclical powers that could be effective during an economic slowdown, he notes. (santiago.perez@wsj.com; @perezenmexico)

16:35 EDT - GlobalDairyTrade books a disappointing price decline, which came despite Fonterra reducing the volume of whole milk powder to be auctioned over coming months, ANZ Bank says. "The decline in forecast near-term supply to be auctioned through GDT seemed to be in response to reportedly high inventory levels in China," says ANZ Bank. "It seems the drop in near-term supply and pick-up in latent demand from other markets hasn't been enough to stabilize the situation. This, combined with the high NZD, means Fonterra's opening milk price forecast of NZ\$7.00 per kilo of milk solids is now under pressure." Firm says the forecast could be revised to low-to-mid NZ\$6.00 per kilo. (rebecca.howard@wsj.com; @FarroHoward)

16:21 EDT - NZD/USD remains firm despite a 4.9% fall in the average milk price in the GlobalDairyTrade auction overnight. Weaker prices are "consistent with the downward trend in dairy prices we expected," says BNZ FX Strategist Kymberly Martin, noting that prices have fallen 29% since February. "This will be negative for dairy farmer payout calculations and with time will make a dent in NZ's terms of trade and current account figures." Martin adds the RBNZ will be watching the divergence between falling dairy prices and still-elevated New Zealand dollar. NZD/USD last at 0.8776. Martin sees support around 0.8730 and resistance at 0.8800. (rebecca.howard@wsj.com; @FarroHoward)

16:20 EDT - Bond prices drop in the opening session for 2H, but some analysts say not to read that as a sign of investors stepping up their bets against bonds. Trading volume in the Treasuries market comes in at just 85% of its 10-day moving average, according to CRT Capital. The pressure on bonds seems more a result of the rally in US stocks, while buyers stayed away having gotten their month-end fill over the past few sessions. Look for clearer signs on where bonds are headed after Thursday's nonfarm payrolls report. Ten-year notes lose 14/32 to yield 2.567%. (cynthia.lin@wsj.com; @cynthialin_dj)

15:28 EDT - Prior to the downgrade by Moody's of Puerto Rico bonds further into junk territory on Tuesday, Puerto Rico muni debt was having a decent year. The bonds offered a total return of 5.93% on the year so far, through Monday, according to S&P Dow Jones Indices. But the bonds have been selling off lately--they were down 1.38% on the quarter and down 4.26% on the month--and now dented further by today's downgrade. (mike.cherney@wsj.com)

(END) Dow Jones Newswires

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