

**HD     Fall in Australia Shares Continues Amid Geopolitical Risk -- Market Talk****WC**     1,493 words**PD**     6 August 2014**ET**     16:50**SN**     Dow Jones Institutional News**SC**     DJDN**LA**     English**CY**     Copyright © 2014, Dow Jones & Company, Inc.**LP**

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0650 GMT [Dow Jones] Australian shares continued to fall as geopolitical risk increased after Poland warned of the potential for Russia to invade Ukraine. The benchmark S&P/ASX 200 closed down 0.1% at 5512.0 after hitting a three-week low of 5495.1. Woodside (WPL.AU), ANZ (ANZ.AU) and CSL (CSL.AU) fell 0.5%-1.5%, while BHP (BHP.AU), Rio Tinto (RIO.AU), Telstra (TLS.AU) and Transurban (TCL.AU) rose 0.4%-1.7%. The first four-day fall since January came as fear of an invasion of Ukraine added to concern about geopolitical risk from wars in Ukraine and Gaza, and jitters about an eventual tightening of U.S. interest rates. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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0644 GMT [Dow Jones]-- Today's Swiss July consumer price report due at 0715 GMT is unlikely to show any noticeable upward momentum, which in turn will keep the central bank's hands tied as far as monetary policy is concerned, says Commerzbank. "Even if July inflation deviates notably from expectations, that won't change the Swiss National Bank's view that the minimum exchange rate of 1.20 in euro-franc remains the tool of choice to prevent any additional downward pressure on prices," according to analyst Lutz Karpowitz. "Even at current franc levels inflation is stuck close to zero, and until inflation moves away from there on a sustainable basis the SNB's hands are tied," he argues. (neil.maclucas@dowjones.com)

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0625 GMT [Dow Jones] The return of U.S. dollar strength is weighing on the Australian dollar, assisted by stronger U.S. manufacturing data of late, says David Forrester, currency strategist at Macquarie Bank. He adds Australia's July employment data Thursday will be critical for the currency's direction near term, but adds that a move higher in U.S. rates is required to keep the Australian dollar heading lower, especially with Australia's central bank likely to be sidelined for what looks like a long time. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0623 GMT [Dow Jones] Bunds start the day on the front foot driven by weak U.S. and Asian stock markets, and German industrial orders which fell into negative territory in July. "After today's manufacturing orders (-3.2% **m/m**), tomorrow's industrial production data is expected to show only a small gain which should confirm our economists' view that the German economy contracted in Q2," say analysts at Commerzbank. Ahead, the DFA will re-open the 5-year on-the-run OBL 169 for upto EUR3 **billion** at 0930 GMT. The September contract is 0.22 higher at 148.23 and the 10-year yields 1.154%. (nick.cawley@wsj.com)

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0612 GMT [Dow Jones] South Korea's new corporate tax rules won't get businesses to quickly expand investment or raise wages like the government hopes, Hana Daewoo Securities economist Kim Doo-un says. "Business will respond passively because investment essentially requires mid- and long-term reviews," Kim says. "Pay increases can also be financially burdensome because once they are raised they can hardly be cut." Companies may move to increase dividends, he says. The government Wednesday introduced a 10% tax on companies' cash reserves for three years from next year if they don't meet rules on cash hoarding. It is trying to get companies to use cash piles to boost poor national economic growth. (kwanwoo.jun@wsj.com)

0606 GMT [Dow Jones]--German manufacturing orders surprisingly fell in June as a sharp decline in orders from the euro zone drove the index down, official data showed Wednesday. The country's economy ministry reported that on the month, orders were down 3.2% in adjusted terms, compared with a slightly revised decline of 1.6% in May. Experts polled by Dow Jones Newswires had forecast a rise of 0.8%. Domestic orders were down 1.9%, while foreign orders were down 4.1%. The foreign orders decline was driven by a sharp drop in orders from the euro zone, which fell 10.4% on the month. Orders from outside the currency bloc were unchanged on the month. The ministry said that the share of bulk orders for June was well below average and that geopolitical risks probably held back orders. "It is therefore to be expected that the industrial economy will develop rather moderately in the coming months," it said. todd.buell@wsj.com

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0605 GMT [Dow Jones] **China's** exports likely grew 8% on-year in July, up from a 7.2% rise in June, according to the median forecast of 15 economists surveyed by Dow Jones. "A recovery in advanced economies, especially the rebound in the U.S. in the second quarter, continues to support external demand," says Citigroup's Shuang Ding. But imports may be weaker, partly because of a strong base last year. The median forecast is for just 3% growth, versus 5.5% in June. **China's** trade data are due to be released at 0200 on Friday. (richard.silk@dowjones.com)

0540 GMT [Dow Jones] The "stars seem to be aligning" for a weaker Australian dollar with the U.S. dollar strengthening and international market volatility on the rise, National Australia Bank head of currency strategy Ray Attrill says. But to get a clear signal the currency needs to break below its recent low of US\$0.9200 to confirm a new range is in play. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0536 GMT [Dow Jones] The further recent modest decline in Australia's terms of trade--and a possible third quarter GDP disappointment as net exports subtract from GDP growth and send the current account deficit back to wider levels than its current 1.4% of GDP-- raise risk that the Australian dollar will fail to lift from its current US\$0.9200 to US\$0.9500 range, says Richard Grace, head of currency strategy at the Commonwealth Bank. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0532 GMT [Dow Jones] The South Korean government's new tax against large corporate cash reserves needs to be implemented carefully in consideration of the different financial positions of each **company**, says the Korea Chamber of Commerce and Industry, a key lobby group for small firms. "Each and every **company** has its own spending needs and plans. If they're forced to follow government steps unilaterally and without exceptions, it will only hurt their competitiveness," says the KCCI. It noted however that the tax is timely to help improve business conditions hurt by slowing economic growth and an aging population. Meanwhile, Song Won-gun, research head at the Federation of Korean Industries, a key lobby group for conglomerates, says the restrictive tax scheme could damage Korea's entrepreneurship and stunt economic growth. (in-soo.nam@wsj.com)

0523 GMT [Dow Jones] Shares of Skymark Airlines (9204.TO) are down 5.2% at Y181 following a report by NHK that the **firm** is mulling withdrawing from flight **operations** out of Narita International Airport due to a canceled Airbus aircraft order. Several months ago, Skymark, a smaller rival to ANA Holdings (9202.TO) and Japan Airlines (9201.TO), made headlines over its order for six top line Airbus A-380 jets, putting it on equal technological footing with ANA and JAL. "If true, the scrapped order will apparently cost Skymark some Y70 **billion** in contract cancellation fees alone, which is a lot for a little carrier," says an **equity** trading director at a European brokerage. "As an LCC (low-cost carrier) the **company** looked like it was poised to challenge for a share of the domestic ridership." (bradford.frischkorn@wsj.com)

0519 GMT [Dow Jones] Weakness in the Australian dollar ushers in a good time to buy the currency, says Greg Gibbs, currency strategist at RBS, based in Singapore. Domestic data is improving and job market data for July on Thursday is likely to reflect the strengthening of the economy, Gibbs said. **China's** growth indicators have improved, while demand for industrial metals such as **copper** is solid, he

adds. "Recent falls come on the back of a modest bout of risk aversion. It's not clear to me its going to get worse," Gibbs said. Longer-term, Gibbs retains an expectation the Australian dollar will fall, reflecting higher U.S. rates and **China** growth over 12 months slowing. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

(END) Dow Jones Newswires

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