

HD Rising Freight Rates May Hit Miners' Profits: Liberum -- Market Talk**WC** 1,576 words**PD** 24 June 2014**ET** 17:23**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

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0721 GMT [Dow Jones] A sharp rise in freight rates could substantially hit **mining** companies, with mid-tier **iron-ore** producers to be hardest hit as **ore** prices slide, Liberum Capital says. "Consensus amongst shipping analysts is for capesize freight rates to double between now and 2015, but this is not reflected in **mining** consensus," it says. The effect on major miners "would be material" and could result in Rio Tinto PLC's (RIO) 2015 EPS slipping as much as 13% below consensus on **iron-ore** volumes alone. They estimate an EPS possibly 9% below consensus for Anglo American PLC (AAL.LN) and BHP Billiton PLC (BHP). A doubling of freight rates would, however, hit mid-tier **iron-ore** producers hardest, as their mines tend to be more expensive to run and lower grade than their larger rivals. African Minerals Ltd. (AMI.LN), Ferrexpo PLC (FXPO.LN), and London **Mining** PLC (LOND.LN) would struggle to turn a profit on such a sharp rise in rates. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0723 GMT [Dow Jones]--Hungary's headline CPI deflation in April and May will support the continuation of the easing cycle today, says BNP Paribas. BNPP expects another 10 bps cut, continuing the steady move lower, reducing the policy rate to 2.30% record low. "However, much stronger than previously expected economic growth in 1H 2014--suggesting a faster-closing output gap--implies a faster rebound in demand-driven price pressures next year," says BNP economist Michal Dybala. With the impact of major government-mandated household utility price cuts fading, higher core inflation points to CPI readings topping the 3% target next year, he adds. "Such an inflation outlook would be consistent with the easing cycle nearing its end soon," he says. The central bank is also due to publish its latest inflation and GDP forecasts. Rate decision is due at 1200 GMT. (margit.feher@wsj.com @margitfeher)

0723 GMT [Dow Jones] Taiwan government **bonds** will likely fall further after the worse-than-expected outcome of a new five-year bond auction, says a local trader. The government sold NT\$32.85 **billion** worth of five-year **bonds**, lower than the planned size of NT\$35 **billion**; the cut-off yield of the **bonds** was 1.2000%, also higher than market expectations at 1.1800%. "The short-term outlook of local **bonds** is turning bearish...the market will seek cues from Taiwan's central bank's comments about inflation at its policy meeting on Thursday," the trader adds. The most-traded five-year bond yield rises to 1.2100% from 1.1650% late Monday; the trader tips the yield to trade between 1.2000% and 1.2500% Wednesday; the 10-year bond yield is at 1.6390% vs 1.6085%; a 1.6200%-1.6700% trading band is pegged. (fanny.liu@wsj.com)

0720 GMT [Dow Jones]--Gilts open little changed as traders wait for BOE Governor Mark Carney and other MPC members to appear in front of the Treasury Select Committee at 0830 GMT. "Carney will come under pressure to explain further his hawkish Mansion House speech," says Barclays, "particularly when set against the June MPC minutes." A new 30-year gilt--3.5% Jan 2045--is mooted to begin syndication Tuesday, with an expected issue size of GBP4.5 **billion**. The September contract is 0.07 lower at 109.26, the 10-year yields 2.74% and the current 30-year yields 3.47%. (nick.cawley@wsj.com)

0717 GMT [Dow Jones] Japan's core CPI inflation is likely to slow in May after rising in April, gradually hitting a 1.0--1.4% range, says Nomura Securities. Nation-wide inflation rose for first time in four months in April--the first reading since the consumption tax hike of April 1. However, core inflation is likely to

once again fall toward roughly 1% over the summer as the on-year boost to prices (particularly for **energy**, as the depreciation of the yen drops out) falls, says house analyst Yoshiyuki Suimon. The net impact on the Bank of Japan's monetary policy outlook will be neutral, he says, and not **lead** to speculation about further monetary easing. Achieving a long-term 2% nationwide inflation target is a central BOJ goal, but many foreign investors and economists have stressed that attaining even a 1% target would be a major accomplishment, and help Japan to overcome years of sluggish domestic spending. (bradford.frischkorn@wsj.com)

0705 GMT [Dow Jones]--Disappointing EMU PMI surveys, dovish commentary from ECB's Nowotny and higher-than-expected U.S. existing home sales made little impact on EUR/USD Monday, which pivoted around 1.36, notes UniCredit. For Tuesday, the bank expects EUR/USD to garner support from the German Ifo survey, where it sees slight improvements in all three components. That said U.S. consumer confidence and home sales are expected to improve and this could weigh on the pair, preserving the current deadlock around 1.36. EUR/USD is now 1.3605. (gary.stride@wsj.com)

0703 GMT [Dow Jones]--Richard Adcock, technical analyst at UBS, remains positive on Italian **bonds**, with the September BTP contract at current levels. "With the MACD above its zero line, this is a bullish trending condition and the expectation is for a resumption of strength from support in place down to the 124.04 first retracement level. Our target is set at just under the 200% extension of the May sell-off." UBS targets 128.50, with stops at 124.00. The September BTP currently changes hands 11 ticks higher at 125.69. (nick.cawley@wsj.com)

0657 GMT [Dow Jones] The Australia dollar fails to build on gains triggered by Monday's strong HSBC **China** flash manufacturing PMI reading, and slips to the base of its daily Bollinger uptrend channel at 0.9407. There was little reason for the retreat but in general, currency markets have been quiet lately and lacking momentum due to low trading volumes. On a Tuesday close below 0.9407, the short-term bullish technical bias for AUD/USD would be nullified and the Australia dollar could slide further due to trimming of long positions. The Aussie is currently at 0.9407 - 0.4% weaker than the two-month high of 0.9445 notched on Monday. (ewen.chew@wsj.com)

0655 GMT [Dow Jones]--Anyone expecting the recent aggressive ECB policy easing would feed through into a more upbeat German Ifo business survey will likely have to wait for another month or so. Instead, ongoing political tensions in Ukraine and rising **oil** prices triggered by the flare-up in Iraq are expected to keep sentiment depressed. The DJN survey forecast is for business expectations for June to slip to 105.8 from 106.2 seen in May, while the business climate is forecast to fall to a fresh 2014 low of 110.2 from 110.4 last. Current conditions show a glimmer of hope, seen 114.9 vs 114.8 last. EUR/USD now at 1.3609. (gary.stride@wsj.com)

0654 GMT [Dow Jones] HSBC preliminary manufacturing purchasing managers index (PMI) for **China** released Monday showed signs of demand improvement in May, but investors may better wait for the official PMI, due next week, to confirm the economic recovery is taking hold. Morgan Stanley says the official PMI after seasonal adjustment is a better gauge of overall manufacturing activity growth because it has the highest correlation with year-on-year growth in industrial production. It is also proven to be a better bellwether of government's countercyclical measures, says Morgan Stanley; "This is because the government's infrastructure-led stimuli packages normally firstly lift the demand and production of the large or state-owned companies, which have a larger share in the official PMI sample." (jacky.wong@wsj.com; Twitter: @jackycwong)

0648 GMT [Dow Jones]--It was another uneventful overnight session with the major currency pairs keeping in tight ranges, U.S. and Japan equities closing close to flat and bond markets showing no clear direction. The event calendar Tuesday offers the German June Ifo (0800 GMT), BoE Governor Carney and MPC members before the Treasury Select Committee (0830 GMT), Japan PM Shinzo Abe's news conference scheduled for 0930 GMT, where he will speak about his growth strategy, the "third arrow" of his economic plan, and rate decisions from Turkey (1100 GMT) and Hungary (1200 GMT). (gary.stride@wsj.com)

0646 GMT [Dow Jones]--The Central Bank of Turkey will hold its monthly monetary policy meeting at 1100 GMT. "We think that the central bank is more likely to cut the rates by 50 bps; however, we do not rule out the possibility of 75 bps cut," says Tera Brokers. It notes that in any event the central bank will likely to deliver slightly more than the market expectations; if it cuts the rates by 50bps, it may deliver a reduction in the overnight lending rate as well; otherwise, the rhetoric of monetary policy committee statement could be more dovish than expected and today's decision will be supportive for the equities. (yeliz.candemir@wsj.com)

(END) Dow Jones Newswires

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