

**HD EUR/AUD Hits 9.5-Month Low; Eyes 1.4043, 1.4000 -- Market Talk**

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0533 GMT [Dow Jones] The euro fell to 1.4163 against the Australian dollar Monday--its weakest mark since Nov. 8, 2013--extending its losses from Friday as European Central Bank President Mario Draghi moved the ECB closer to quantitative easing in his speech at Jackson Hole. Mr. Draghi said investors' bets on euro-area inflation have "exhibited significant declines at all horizons" in August and the central bank is willing to take more stimulus measures if they are needed to keep low inflation from becoming embedded in expectations of future price growth. Dow Jones technical analysis shows spot EUR/AUD poised to decline further to the Nov. 7, 2013 reaction low of 1.4043. A drop below this level would target the psychological 1.4000 line. Spot EUR/AUD is at 1.4171 versus 1.4208 late Friday. (jerry.tan@wsj.com)

**TD**

0522 GMT [Dow Jones] TD Securities says its faster-than-consensus forecast for a 2014 return to trend growth in Australian GDP requires non-mining sector investment and resource exports to strengthen as mining investment "sinks out of sight." Annette Beacher, the Asia-Pacific Head of Research at TD Securities says she expects business investment to lift by 1.0% on quarter versus a market consensus of a fall of 0.9%. But Beacher expects investment intentions for 2014-15 to still show a fall of 9%. "The risks are firmly skewed towards a downgrade," she adds. This is all Australian dollar negative, Beacher added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0513 GMT [Dow Jones] U.S. Federal Reserve Chairwoman Janet Yellen delivered little new in her Friday speech on labour market developments at the annual Jackson Hole symposium, offering arguments that would please doves and hawks but nothing in the way of a clear deviation from her previous emphasis on continued labour market slack and monetary policy being data dependent, says Deutsche Bank foreign exchange strategist Oliver Harvey. "What next? Positioning and a continued negative flow picture may pose obstacles to the dollar rally in the absence of a renewed acceleration in U.S. data. The August labor market report on Sept. 5 will be closely watched," he says. USD/JPY is currently at 104.21.

(bradford.frischkorn@wsj.com)

0508 GMT [Dow Jones] China's local governments are expected to auction more sites in prime locations and set lower bidding prices amid the current weak housing market, Nomura Research analysts say in a note. They add that land prices are expected to drop 10-20% over the next six months. Land sale premiums accounted for more than 35% of local government income in 2013, it says. SouFun data shows that land sales in second and third tier cities have fallen around 16-18% so far this year. "While land prices began to correct in June, they remain unattractive for developers so far," Nomura says. "Developers' high contribution to local governments' revenue would incentivize local governments to use all feasible measures to prevent the hard landing of the property market." (esther.fung@wsj.com, Twitter: @estherfung)

0504 GMT [Dow Jones] OPEC is likely to adjust its oil output to balance the market before its November meeting, assuming that Libyan oil production remains stable or grows, Barclays analyst Michael Cohen says in a report. He says the current supply of light crude is sufficient to meet global demand, and

producers like Libya are having trouble selling cargos. "Buyers are particularly wary of Libyan crude because of the security risks associated with loading a tanker in close proximity to militant clashes," he says, adding that Libya will attempt to undercut prices. Nymex crude is down 16 cents at \$93.49/bbl, Brent crude is down 16 cents at \$102.13/bbl. (eric.yep@wsj.com)

0503 GMT [Dow Jones] Shares of Chugai Pharmaceutical (4519.TO) are down 8.7% at Y3,340 after a Bloomberg report that Roche Holding AG decided against bidding for the 40% of Chugai it doesn't already own, and instead with concentrate on its \$8.3 **billion acquisition** of InterMune. Last week, a Bloomberg report that Roche is in discussions to make Cugai a wholly-owned subsidiary had sent its shares up 15%. "If the report is true it looks like Roche's bid may just be put off for now (as opposed to scrapped altogether), says a market analyst at a domestic brokerage. "Chugai's stock price has now essentially returned to the level it was at prior to the reported bid; it's logical that it will remain there until more clarity in the buyout front is known." (bradford.frischkorn@wsj.com)

0457 GMT [Dow Jones] The Aussie/Kiwi cross reached 1.1159 Monday--its highest mark since Dec. 2, 2013--as the Australian dollar outperforms its New Zealand counterpart amid bullish U.S. dollar sentiment. Dow Jones technical analysis shows the AUD/NZD advance this morning stalled just below the previous base of 1.1162 set on Sept. 23, 2013. A rise above this level would expose the AUD/NZD cross to 1.1223--the Nov. 29, 2013 reaction high. Support is expected at 1.1054--base of "buy zone" of the 20-day Bollinger Band (an area between the one- and two-standard deviation upper Bollinger bands), and then at 1.0997 (middle 20-day Bollinger Band). Spot AUD/NZD is at 1.1149 versus 1.1050 late Friday. (jerry.tan@wsj.com)

0457 GMT [Dow Jones] Asia's trade surplus with **China** shrank 90% in the second quarter from a year earlier, according to trade data on 12 countries from CEIC, after growing 4.4% in the first three months of the year. The region's surplus with **China** was sapped by a \$2.8 **billion**, or 18.6%, drop in South Korea's surplus and a \$1.4 **billion**, or 13.6% drop in Taiwan's. Japan, India, Macau, Thailand and Malaysia run trade deficits with **China**. The calculation doesn't include Bangladesh, Cambodia, Indonesia, Myanmar, Nepal, the Philippines, Sri Lanka or Vietnam, which haven't yet reported bilateral import data up to June. (wayne.arnold@wsj.com)

0450 GMT [Dow Jones] Asia's imports from **China** rose 7.1% in the second quarter from a year earlier, according to trade data on 12 countries from CEIC, up from 6.9% in the first three months of 2014. The region's **China** imports were increased by a \$2.1 **billion**, or 5.1%, increase in imports to Japan and a \$1.9 **billion**, or 18.2%, increase in imports to Taiwan. The calculation doesn't include imports to Bangladesh, Cambodia, Indonesia, Myanmar, Nepal, the Philippines, Sri Lanka or Vietnam, which haven't yet reported bilateral import data up to June. (wayne.arnold@wsj.com)

0450 GMT [Dow Jones] Thailand's 29th prime minister Gen. Prayuth Chan-ocha says he expects to form a new cabinet by October after receiving endorsement by the country's king Monday. The timeframe of the setup of a new cabinet is longer than analysts' expectation of early September. In a speech following the endorsement ceremony, Gen. Prayuth vows to tackle economic problems by focusing on attracting more investment, upgrading the country's infrastructure, and implementing tax and **energy** reforms. (warangkana.chomchuen@wsj.com)

0449 GMT [Dow Jones] **China's** "moment of financial reckoning" has merely been postponed, not averted, says Yu Yongding, a former advisor to the People's Bank of **China**. "The fundamental problems that triggered alarm bells in the first place--including real-estate bubbles, local-government debt, rapid growth in shadow-banking activity, and rising corporate leverage ratios--remain unresolved," said Yu, who also served as an advisor to the National Development and Reform of **China**, in an online article. Due to interest rate liberalization, he said **China** may find it more difficult to use artificially low rates to contain leverage ratios, what the government did last time to tackle debt problems. Yu, however, said it is too early to bet on a debt crisis in **China**. He said Japan's public debt/GDP ratio has surpassed 200% yet no crisis has erupted--nearly two decades after economists first started warning of a crisis. (jacky.wong@wsj.com; Twitter: @jackycwong)

0415 GMT [Dow Jones] As a potent reminder of life in Australia after its **mining** boom years, Moody's Investors Service Monday downgraded Western Australia state, the epicenter of **iron-ore** investment of the last decade, to Aa1 from Aaa, and retained a negative outlook. The ratings downgrade reflects the state's ongoing budget deficit position, "and a growing risk that this trend may not be reversed soon," Moody's said in a statement. The state government's increasing reliance on royalty income was listed as a concern. Expenditure pressures related to the rapid expansion of the state's economy and population, and "a weak policy response to the deteriorating financial and debt position" also contributed to the decision, Moody's said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

(END) Dow Jones Newswires

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