DOW JONES NEWSWIRES

**HD** **Housing Sector Risk in Australia Under Control, Deutsche Bank Says -- Market Talk**

**WC** 1,568 words

**PD** 11 November 2014

**ET** 14:44

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English



**LP**

0344 GMT [Dow Jones] Deutsche Bank says the overall exposure of Australian household and bank balance sheets to housing-sector risk is manageable, despite some pockets of emerging stress in Sydney and Melbourne. Deutsche Bank points to recent comments by the banking regulator that recent stress tests conducted on 13 large, locally incorporated banks that centered on a severe downturn in the housing market showed positive results. DB said the stress tests suggested that the domestic impact would certainly be material but not of the scale seen overseas. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor: TFD

**TD**

0342 GMT [Dow Jones] Indonesia's stock of foreign currency reserves will likely remain over $100 **billion** in 2014, significantly above the $47.9 **billion** trough during the recent global financial crisis and the 2013 low of $85.9 **billion**, says Moody's in its latest update on Indonesia. Bank Indonesia has been very careful in using its foreign exchange reserves by reducing intervention to defend the rupiah. The reserves were $112 **billion** end of October. The ratings **company**, which rates Indonesia Baa3 with stable outlook says things that could **lead** to a rating upgrade include increased fiscal space resulting from improved revenue collection or a lower subsidy bill, expectations of continued improvement in the macro-economic balance, reflected in balance of payments, inflation and the financial system metrics, continued progress in addressing infrastructure bottlenecks that contribute to an increase in potential growth, a deepening of local capital and credit markets to support domestic financing of government deficits. (i-made.sentana@wsj.com)

Editor: KLH

0338 GMT [Dow Jones] The USD/CNY is largely steady after the dollar climbed against most of its rivals Monday. The USD/CNY is at 6.1192, compared with Monday's closing of 6.1196. Traders say gains in the **Chinese** yuan will be limited as the government has started pump priming to stimulate the economy. Meanwhile it's just a matter of time before the Fed raises interest rates. "Growth in **China**'s international reserves will trend slower. The macro situation doesn't support yuan appreciation," says a trader at a local bank. He expects the USD/CNY to consolidate in range of 6.11-6.13 for the rest of the year. The People's Bank of **China** sets the USD/CNY central parity rate at 6.1413, up from Monday's 6.1377. Offshore, one-year USD/CNY NDFs are up at 6.2660/6.2680 from 6.2560/6.2580 late Monday. (rose.yu@dowjones.com)

Editor: MNG

0336 GMT [Dow Jones] The lowest accepted price for 30-year Japanese government **bonds** in a planned announcement of auction results at 0345 GMT will likely come to 104.35-40, traders say. The **sale** is a reopen of the 1.7% coupon No. 44 issue. "We expect that there will be enough demand at today's auction to absorb the supply," say Mitsubishi UFJ Morgan Stanley Securities economists, due to the "positive impact" of increased 30-year JGB buying by the Bank of Japan after it expanded easing last month. Lead December JGB futures are down 0.09 at 146.46. (eleanor.warnock@wsj.com)

Editor: MNG

0334 GMT [Dow Jones] Thailand's SET is likely to extend this year's strong performance in 2015, rising an additional 7% as the new government ushers more reform measures, Nomura says in a note. "Thailand is heading for a major overhaul via reforms in 2015. We expect the country to come out in a much better shape than the one entering the political crisis in year-end 2013," the research house says. Nomura likes Thailand's positive GDP momentum over the next few quarters despite a weak performance this year. But Nomura warns that the market "is no longer cheap." It says investors should focus more on the beneficiaries of public spending on infrastructure--such as Siam Commercial Bank (SCB.TH) and Siam Cement (SCC.TH)--and the recovery of other demand-led sectors like consumption and retail, in which it prefers companies like CP All (CPALL.TH). Among tourism picks, it likes Airports of Thailand (AOT.TH). (jake.watts@wsj.com; @jmwatts_)

Editor: MNG

0335 GMT [Dow Jones] Australian interest rate futures market pricing has dialled down the pessimism over the past week or so, from pricing a 40% chance of 25 basis point rate cut by September 2015 to just a 25% chance now, says Annette Beacher, economist at TD Securities. "We see the Reserve Bank of Australia on hold at 2.5% with scant risk of a cut short of a global shock, but at least the RBA has a cash rate to cut if necessary," she said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor JSM

0332 GMT [Dow Jones] The National Australia Bank has revised higher its forecast for Australian gross domestic product growth in 2014/15 to 2.9% from 2.8% prior. It said a record jump in Australian business conditions in October points to strong start to the fourth quarter but it also warns that growth is still constrained by weak terms of trade, a soft labor market and signs of a softening in the building cycle. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

Editor JSM

0331 GMT [Dow Jones] Asia as a region totally dominates Saudi Arabia's oil export flows with a 71% market share, or 5.1 million barrels/day out of total crude exports of 7.2 million barrels/day this year, Societe Generale's head of oil research Michael Wittner says. "Flows to the U.S. and Europe are small and slowly eroding, and just don't matter that much," he says. He also says that despite the fall in prices last week, crude and petroleum-product demand is increasing seasonally. Oil refineries in all three key regions of the U.S., Europe and Asia are coming out of maintenance and starting to ramp up operations ahead of winter; and heating fuel demand is also beginning to pick up, he says. Nymex WTI crude is down 14 cents at $77.26/bbl, Brent crude is down 28 cents at $82.06/bbl. (eric.yep@wsj.com)

Editor: MNG

0310 GMT [Dow Jones] The ringgit could slip to 3.3550 versus the U.S. dollar on an intraday basis, the daily USD/MYR chart suggests. The bullish technical bias for the dollar was maintained by Monday's closing above the 3.3200 base of the Bollinger uptrend channel. The gradient of the channel has now steepened, raising the chart support for USD/MYR to 3.3250. The pair, currently at 3.3400 versus its Monday close of 3.3295, could mark a new high for 2014 if it surpasses 3.3465. The U.S. dollar is back up across the board Tuesday after a bout of weakness seen yesterday. Apart from underlying yen weakness due to Bank of Japan's easing measures, the slide in gold and oil prices is another factor boosting the greenback. Malaysia releases its September industrial production index at 0401 GMT. (ewen.chew@wsj.com)

 

Editor: MNG

0305 GMT [Dow Jones] SJM (0880.HK) may cut its dividend as costs rises and earnings drop, says Deutsche Bank. The Macau gaming operator reported Monday a drop in earnings for the third quarter, due to lower margins. "The other four operators all reported margin expansion in the third quarter," says Deutsche, which downgrades the stock to sell and cuts its target price to HK$13.5. "This highlights SJM's inability to protect margin when competition intensifies." As labor costs in Macau rise, Deutsche says SJM's capital expenditure may further increase from its current budget, hampering the **company**'s cashflow. SJM falls 2.0% to HK$15.04 Tuesday. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor JSM

0303 GMT [Dow Jones] **Residential property** prices in Australia are up by 9.1% on the year, representing a slowdown from prior quarters, according to government data. "Today's figures are a welcome addition to the suite of home price data which show that price growth is easing to a much more sustainable rate," Shane Garrett, senior economist at the Housing Industry Association, says. "The annual rate of home price growth nationally is back in single figures for the first time in a year," Garrett says. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

0302 GMT [Dow Jones] **Iron ore** prices, now around $75 a metric ton, need to fall into the $60s to start significant output curtailments outside of **China**, Citi said. "We find only modest cutbacks are likely if **iron ore** remains in the $70s, with sustained prices in the $60s needed to prompt significant cutbacks," it said. Supply expansion from a handful of major global **iron**-**ore** miners is threatening to push out marginal, high-cost producers from the field. Domestic **Chinese iron ore** production remains resilient, though it will also come under pressure, the note said. **Chinese** steel demand is likely to weaken in the first quarter next year due to tight credit, slower manufacturing growth and government reform, Citi said. (chuin-wei.yap@wsj.com; Twitter: @YapCW)

Editor JSM
(END) Dow Jones Newswires

November 10, 2014 22:44 ET (03:44 GMT)

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**PUB** Dow Jones & Company, Inc.

**AN** Document DJDN000020141111eabb000ft