

HD Evidence of Disinflation Emerging in Australian Economy-JPM -- Market Talk**WC** 1,287 words**PD** 28 July 2014**ET** 10:40**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

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0040 GMT [Dow Jones] The second-quarter measure of Australian inflation should be viewed as largely neutral for the interest-rate outlook, says Sally Auld, debt strategist at J.P. Morgan. Nonetheless, threads of evidence of disinflation should give the central bank confidence that inflation is behaving as expected in an economy subject to an extended period of subtrend growth, she said. For the rates outlook, the inflation data underscores the "slow burn" nature of the current cycle. Evidence of softer growth and disinflation will take time to appear in the data, consistent with the view that if rate cuts are to occur, it will be a fourth-quarter 2014 or first-quarter 2015 story, Ms. Auld adds. (james.glynn@wsj.com)

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0038 GMT [Dow Jones] Telstra's (TLS.AU) balance sheet will be a key talking point around the telco's full-year result on Aug. 14, says J.P. Morgan, given Telstra's recent sales of CSL and Sensis create scope for capital management. Broker says Telstra has capacity to distribute more than A\$2 **billion** without raising its gearing. But the bank notes paying a big spectrum bill will reduce the slack and it's likely Telstra's **board** will err on the side of maintaining flexibility for acquisitions and JVs. Ultimately, the bank reckons a buyback will be part of the story; the question is whether it is sooner, with disposal proceeds, or later with [National Broadband Network] cash flow. "We aren't forecasting a **buy**-back announcement with this result but it would not surprise us to be wrong." (rebecca.thurlow@wsj.com; @beckthurlow)

0038 GMT [Dow Jones] In the week ahead, it appears to be all eyes on the U.S., with Australian economic data unlikely to provide a catalyst to break either resistance at US\$0.9460/70, or support at US\$0.9340/50, says Sean Callow, currency strategist at Westpac. With commodity prices having stabilized and a recent reduction in RBA rate cut pricing taking place, Westpac leans slightly towards the upside of ranges for the Australian dollar and its major crosses this week, Callow adds. But, he says, the U.S. dollar does have the opportunity to strengthen given the Fed should reduce QE again and sounds somewhat optimistic in its statement. (james.glynn@wsj.com)

0030 GMT [Dow Jones] The poor price action in the New Zealand dollar has seen several key downside support levels give way, leaving pressure to the downside and the potential for a test of US\$0.8400, says Macquarie Bank. It adds that this level corresponds to the low from last month as well as the minimum retracement of the rally from US\$0.7680 to US\$0.8840, it adds. Pair is now at US\$0.8552. (james.glynn@wsj.com)

0018 GMT [Dow Jones] The impact of price reductions by luxury auto makers in **China** following government pressure will be modest, SC Bernstein analyst Max Warburton says. This is because the models selected by Jaguar Land Rover are high-end, low-volume ones, while Audi's cuts to aftermarket parts will also be limited. "In **China**, healthy profits on new cars sales, coupled with a relatively young premium car parc [or the number of cars and vehicles in a market] mean that the contribution from aftermarket parts remains lower than average," Warburton says. But inevitably these latest announcements raise questions about the risks of operating in **China** and the pace at which pricing and profit per car will "normalize," he adds. (colum.murphy@wsj.com Twitter: @Colum_M)

0010 GMT [Dow Jones] The decision by luxury car makers Audi and Jaguar Land Rover to cut prices in **China** following pressure from the **Chinese** government is a "negative development that will leave investors nervous about further government pressure and price adjustments," SC Bernstein analyst Max Warburton says. "While we remain confident that **China** will remain a highly profitable and growing market for premium OEMs, this kind of government involvement may mean that the long-assumed 'normalization' of pricing and profit per car will happen quicker than previously assumed," Warburton writes in a note. (colum.murphy@wsj.com) Twitter: @Colum_M (colum.murphy@wsj.com) Twitter: @Colum_M)

0003 GMT - Flight Centre (FLT.AU) has been knocked about of late, especially in the U.S., where leisure travel has disappointed, and Australia, where consumer confidence is slack. On Friday, Flight Centre said it would impair A\$48.3 **million** of goodwill tied to its **purchase** of Liberty Travel in the U.S. in 2008. Credit Suisse expects U.S. leisure travel to remain difficult, with corporate travel the main growth channel. In Australia, the broker thinks Australian leisure sales fell 1% in the second half. "The medium-term outlook for Flight Centre remains positive, in our view, driven by a dominant local market position and building momentum offshore," Credit Suisse says. But at 15.7 times FY15 earnings, the broker rates Flight Centre at neutral with A\$50.00 price target. FLT last traded at A\$46.80. (david.winning@wsj.com; @dwinningWSJ)

0000 GMT [Dow Jones] Nymex crude is likely to consolidate with a bearish bias near term after hitting a seven-session low of \$101.00/bbl on Friday before settling up two cents at \$102.09/bbl, Dow Jones technical analysis shows. The daily continuation chart is negative-biased as the MACD and slow stochastic indicators are bearish, while the five-day moving average is turning downward above the declining 15-day moving average. A drop below the \$101.00 support would target the 200-day moving average (now at \$99.90), then \$99.01 (July 15 reaction low), \$98.91 (May 5 low), \$98.74 (May 1 swing low), and \$98.25 (March 21 reaction low). But a rise above \$102.53 (Friday's high) would tilt the near-term view positive, exposing the upside to \$103.34 (Wednesday's high), then to \$103.45 (Tuesday's high), \$104.99 (July 21 reaction high), \$105.53 (July 2 high), \$106.09-\$106.19 band (July 1 high-June 27 high) and \$106.81 (June 26 high). September crude is down 37 cents at \$101.72/bbl on Globex. (jerry.tan@wsj.com)

2358 GMT [Dow Jones] Australia's S&P/ASX 200 is likely to open down 0.3%, after the S&P 500 fell 0.5% following disappointing reports from Amazon and Visa. The breakdown of a cease-fire in Gaza over the weekend, along with ongoing turmoil in Ukraine, may add to caution after the S&P/ASX 200 hit six-year highs and gained 0.9% last week. In commodity markets, spot **iron ore** gained 0.7%, spot **gold** added 1%, LME **copper** fell 0.6%, and Nymex crude **oil** was flat. NAB (NAB.AU) may outperform after selling a GBP625 **million** basket of mainly distressed U.K. loans to private investment **firm** Cerberus Global Investors, reducing the gross loans balance of the Australian lender's U.K. **commercial real-estate** portfolio by 20% to GBP2.38 **billion** as of the end of June 2014 and reducing impaired loans by 48%. Leighton (LEI.AU) beat first-half earnings estimates with a net profit of A\$291.3 **million** versus A\$271 **million** expected by analysts, and boosted its interim dividend 27%. Index last 5583.5. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

(END) Dow Jones Newswires

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IN i81401 : Central Banking | i814 : Banking | ibnk : Banking/Credit | ifinal : Financial Services

NS c314 : Pricing | e1103 : Inflation/Prices | ecat : Economic News | mcat : Commodity/Financial Market News | namt : All Market Talk | ndjmt : Dow Jones Market Talk | nfiac : Fixed Income Asset Class News | nfxacb : Forex Asset Class Basic News | nfxacp : Forex Asset Class Premium News | nfxmt : Foreign Exchange Market Talk | nrmf : Routine Market/Financial News | c31 : Marketing | ccat : Corporate/Industrial News | e11 : Economic Performance/Indicators | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter | niwe : IWE Filter

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