DOW JONES NEWSWIRES

HD **Australia's Central Bank Takes Pity on Melbourne Cup Fans -- Market Talk**

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0450 GMT [Dow Jones] The Reserve Bank of Australia has had a habit of producing some interesting decisions on the day of the Melbourne Cup, Australia's major thoroughbred horse race, marketed as "the race that stops a nation,". The central bank however has taken pity on enthusiasts this year by providing a statement that's little changed from October's, says RBC Capital Markets. "It seems unlikely that the RBA will use the last meeting of the year to shift its stance in any significant fashion." Thus, the focus is likely to become more acute on macro-prudential measures, due by year end, to stem the growth of housing credit in the economy. "To the extent that these will slow what is seemingly the only part of the economy growing above-trend, they are likely to reinforce our--and the market's--expectation that rate hikes are a distant prospect," RBC says. The bank expects the 2.50% cash rate to persist until the fourth quarter of 2015. (rebecca.thurlow@wsj.com; Twitter: @beckthurlow)

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Editor JSM
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0447 GMT [Dow Jones] The Reserve Bank of Australia board appears very comfortable with current interest rate settings, says CommSec. "And why wouldn't they? Inflation is under control; low wage growth is capping inflationary pressures; the supply of homes is lifting to meet strong demand; and global economic conditions are mixed. Rates certainly don't need to go up in the current environment; nor are there grounds for lower rates." says CommSec chief economist Craig James in a report after the RBA leaves its cash rate target at 2.5%. CommSec expects rates to remain stable until the second half of 2015. "While we believe that underlying economic conditions are firmer than the Reserve Bank assumes, that needs to be translated into actual business spending and employment. The problem at present is that Australian companies are super-conservative--a point the Reserve Bank Governor makes at every opportunity." (rebecca.thurlow@wsj.com; Twitter: @beckthurlow)

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0440 GMT [Dow Jones] Australia's central bank board left the cash rate steady at 2.5% at their November meeting, and delivered a statement very similar to that in October. The "only new detail of note--and it wasn't really new--was the reintroduction of the language that the Australian dollar is 'above most estimates of its fundamental value,'" says Ben Jarman, economist at JP Morgan. He says the fact that the Reserve Bank of Australia governor reintroduced this language even though Australian dollar has started declining again suggests he sees fair value as drifting lower along with commodity prices, and this may make the currency readjustment a more urgent requirement. However, given that not much appears to have changed for the RBA "we don't expect any dramatic forecast changes or shifts in narrative in this Friday's statement on monetary policy," he says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

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Editor JSM
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0423 GMT [Dow Jones] NZD/USD gets a lift after RBA leaves interest rates unchanged at a record low 2.5% Tuesday, once again citing the high Australian dollar as a headwind for growth and pointing to a continuing period of steady rates. "It's trading around the session highs," says Murray Hindley, foreign-exchange manager at ANZ Bank. The pair is at 0.7753 and Hindley says it has support at 0.7700 and resistance around 0.7780. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor: MNG

0408 GMT [Dow Jones] Asahi Group Holdings (2502.TO) underperforms the broader indexes, now up just 2.7% at Y3,518 (vs. +3.5% for the Nikkei), after the **firm** booked a 3Q operating profit of Y44.4 **billion** (down 5% on-year) albeit on par with many brokerage estimates. "Sales volumes of both beer and soft drinks were sluggish owing to unfavorable weather," says Nomura Securities analyst Satoshi Fujiwara. "An apparent return to growth in sales of ready-to-drink products in Australia is likely to provide reassurance going forward." (bradford.frischkorn@wsj.com)

Editor: MNG

0407 GMT [Dow Jones] Saudi Arabia's **Oil** Minister Ali al-Naimi is slated to attend a climate conference in Venezuela this week--he will have much to discuss with representatives of the cash-strapped nation. Venezuela President Nicolas Maduro has said he would join Ecuador in "defending prices," before OPEC. Venezuela, which depends on **oil** for 96% of export revenue, has seen the price of its barrel tumble to around $75, far from the $100 mark officials maintain is fair. Saudi Arabia cut prices to a two-year low for crude slated for the U.S. al-Naimi is slated to meet with Venezuelan Foreign Minister Rafael Ramirez on Wednesday. (Ezequiel.minaya@wsj.com)

Editor JSM

0403 GMT [Dow Jones] **Chinese** banks have a "more friendly" lending attitude and are expected to offer more discounts on mortgage rates, says Citi in a note, as homebuying sentiment improves after the mortgage easing rolled out on September 30. Banks so far have only offered limited discounts of around 5% from the benchmark lending rate of 6.55%, say Citi analysts Oscar Choi and Marco Sze in a note. The analysts recently visited Qingdao, Wuhan and Guangzhou and noted that Wuhan's strong population inflow supports demand, while Guangzhou is still constrained by home **purchase** limits and Qingdao faces weak demand and larger supply. "While mortgage rate discount has not been introduced so far at the local level as expected, volume rebounded moderately in October," says the note. Developers are still wary of investing and buying land so real estate investment--which is the government's top focus--will likely stay weak, it adds. (esther.fung@wsj.com; Twitter: @estherfung)

Editor JSM

0357 GMT [Dow Jones] Bank of Japan officials managed to catch the market flat-footed last Friday, by playing down bad economic data, emphasizing their optimism over prices, and offering no hints of policy changes in the preceding days. But by doing so, the BOJ may have undermined its own ability to make the market understand through its words what it really feels about the economy and policy. "From here on, you must be aware that it is risky to interpret messages from the BOJ as a hint of potential policy changes," says SMBC Nikko Securities senior economist Koya Miyamae. "You rather need to be suspicious that those messages may be fake, an attempt to catch people by surprise." (Takashi.nakamichi@wsj.com)

Editor JSM

0347 GMT [Dow Jones] A 36-member committee to draft Thailand's new constitution is likely to be put together today. The new charter is expected to sharply limit the influence of former leader Thaksin Shinawatra and his allies, who have won every parliamentary election since 2001, says Eurasia Group, Washington-based political risk consultant. Bavornsak Uwanno, a legal expert and law academic, will likely chair the committee, says Ambika Ahuja, Eurasia's analyst. Through the charter drafting committee, the army will likely insert a clause that prevents those who were temporarily banned from politics in the past from running in future elections. "This would permanently disqualify over two hundred of Thaksin's allies who were temporarily banned from politics, severely undermining Thaksin's bid to win elections when the army eases control," Ahuja says. (warangkana.chomchuen@wsj.com)

Editor JSM

0341 GMT [Dow Jones] The USD/CNY is slightly lower Tuesday despite a higher fixing, on more corporate demand for the yuan. The pair is at 6.1175 versus 6.1183 Monday's close. The central bank set parity at 6.1543 versus 6.1525 Monday. "There isn't much volatility in the onshore trading today, and general expectations that the pair would continue to weaken and reach 6.1000 in near term hasn't changed," says a trader at an Asian bank. Offshore, one-year USD/CNY non-deliverable forwards are up at 6.2465/6.2485 from 6.2435/6.2469 late Monday. (esther.fung@wsj.com; Twitter: @estherfung)

Editor JSM

0320 GMT [Dow Jones] USD/SGD likely grinds higher, though the going may be slow because the pair has overshot the top of the daily Bollinger uptrend channel--suggesting the extent of the recent rally has been excessive from a statistical standpoint. The continued rise of USD/JPY is likely to keep USD/SGD buoyant, but the former is also starting to look overstretched on its daily chart and could pull back temporarily in the near term. USD/SGD could mark a new 2.5-year high if it surpasses the June 2012 peak of 1.2970. The Singapore dollar has some correlation to the Japanese yen which is part of the weighted-average basket of currencies that the Monetary Authority of Singapore uses to determine a fair range of relative value for its currency. USD/SGD is now 1.2899 from its Monday close of 1.2905. (ewen.chew@wsj.com)

Editor: MNG

0308 GMT [Dow Jones] Hong Kong retail sales beat estimates for September, but don't expect the bounce to last for long, says Daiwa Capital Markets. Retail sales rose 6.6% in September by volume compared to the same month a year earlier. "September saw an unusual surge of smartphone demand," Daiwa says, attributing this to the launch of the iPhone 6 on September 19, while sales of jewelry, watches and valuable gifts also rebounded. "Despite the recent improvement in retail sales, the latest figures have yet to reflect the disruptions to the local consumption market caused by the Occupy Movement, which officially began on 28 September," Daiwa says. "The demand for iPhones has obviously cooled now. The retail sales results for October as well as the rest of the year are likely to be weaker again." (gregor.hunter@wsj.com; Twitter: @gregorhunter)

Editor JSM
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