

HD **NZD/USD Moving Higher, Focus Is on Japan -- Market Talk**

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0425 GMT [Dow Jones] The NZD/USD is "edging a bit higher" as markets await news from Japan, says Stuart Ive, OM Financial senior client advisor. "We are waiting for an announcement and that's propping everything up at the moment," he says. Markets expect Japanese Prime Minister Shinzo Abe to say he will put off a planned sales-tax increase. He is also set to call for a general election on Dec. 14 to renew his mandate for an all-out assault on deflation, which has combined with falling wages and weak demand to keep Japan's economy sluggish. "The Kiwi is benefiting from the cross-yen trades coming through and the carry trade may be coming back into play," says Ive. Markets will then focus on the overnight GlobalDairyTrade auction for any clues on whether **milk** prices are stabilizing. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Editor: TFD

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0418 GMT [Dow Jones] PVEP, the leading production arm of state-owned PetroVietnam, says it has discovered **oil** from a new well offshore southern Vietnam. It says **oil** is flowing at 1,000 barrels per day from Than Nong-1X well in Block 05-1A 260 kilometers southeast of Ba Ria Vung Tau province. The well is also churning out two **million** cubic feet of gas a day, the **company** says. It doesn't say when **commercial** production from the well will begin, but adds that it will conduct more exploration drilling in the area. (trong-khanh.vu@wsj.com; Twitter: @TrongKhanhVu)

Editor: KLH

0408 GMT [Dow Jones] Australia's central bank appears resigned to the fact the Australian dollar is set to remain overvalued, says Greg Gibbs, currency strategist at RBS. The Reserve Bank of Australia repeated in policy meeting minutes Tuesday that the Australian dollar is fundamentally too high, but it also expressed its concern that Bank of Japan policy action could boost the Australian dollar. This view, coupled with Australia's success in gaining a free-trade agreement with **China** this week could keep the Australian dollar supported, particularly against the euro and yen, says Gibbs. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

Editor JSM

0359 GMT [Dow Jones] Japanese **oil** refining margins improved after roughly 500,000 barrels a day of capacity cuts, and additional cuts of some 400,000 **b/d** expected in the following three years would sustain a proper supply-demand balance, Mizuho Bank says in a report. Refiners such as JX Holdings Inc. (5020.TO), Idemitsu Kosan Co. (5019.TO) and Cosmo **Oil** Co. (5007.TO), acting on government orders, closed some of their crude distillation units before the end of March, in line with Japan's decreasing **oil** demand. As a result of the elimination of overcapacity, margins at these refiners nearly doubled in the first 6 months of this year, the report says. Because the government plans to impose another round of capacity cuts by March 2017, on expectation of continued **oil** demand decline, operating rates at refineries would remain high, the report says. (mari.iwata@wsj.com)

0342 GMT [Dow Jones] First State Investments will not change its position on fixed income assets in Indonesia following a fuel subsidy cut announced late Monday, says Jamie Grant, head of Asian fixed income for the **firm**, but sees the development as positive for the country. First State oversees about \$53 **billion** in fixed income assets, including Indonesian government **bonds** denominated in rupiah and U.S. dollars. Grant says the subsidy cut is positive for all asset classes. "It's positive on all fronts, from a sentiment point of view, from a presidential point of view, from the currency point of view," he says, adding that the central bank "will take note of the positive move from all asset classes today and that may give them the luxury of possibly staying on hold" when it meets Tuesday afternoon. The subsidy cut will save the Indonesian government about \$10 **billion** a year. (jake.watts@wsj.com; Twitter: @jmwatts_)

Editor JSM

0340 GMT [Dow Jones] Australia's central bank again points to risk in **China's property** market as a potential source of instability for Australia. Prashant Newnaha, an economist at TD Securities, said the commentary contained in the RBA's policy meeting minutes seemed to be a few notches above earlier references. The RBA said there was "considerable uncertainty" about **Chinese property** demand and Mr. Newnaha said it would be tracking closely the level of future concern. Australia is a big exporter of **iron ore** to **China**, much of which is used in steel manufacturing, which finds its way into housing and infrastructure. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

Editor: TFD

0340 GMT [Dow Jones] Upgrade demand and increased use of financing will be the primary factors supporting auto sales in **China**, says Deutsche Bank. "Our survey indicates that buyers from 4 years ago are now ready for a significant replacement cycle over the next 2 years," it says. "The availability of credit will provide additional support for the industry." Deutsche upgrades Great wall (2333.HK) to **buy** and raises its target 34% to HK\$44.7 as it expects the car maker to benefit from upgrade demand and ramp-up in contributions from new models. Its top pick, however, is Brilliance **China** (1114.HK) because of its resilient car sales. Great Wall is up 1.0% to HK\$35.9 while Brilliance rises 0.3% to HK\$12.2. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor: KLH

0330 GMT [Dow Jones] The lowest accepted price for 20-year JGBs for the 0345 GMT auction result is likely around 102.05, traders say. The **sale** is a reopening of the 1.4% coupon No. 150 issue. "Yield volatility has risen" amid the expected impact of a delay in a sales-tax increase on fiscal consolidation, Mitsubishi UFJ Morgan Stanley Securities strategist Katsutoshi Inadome says. "There won't likely be aggressive buying of 20-year JGBs." He also says the fact that the auction is taking place during a series of closely-watched events, including an announcement from Prime Minister Shinzo Abe about the sales tax, could also contribute to a weak auction result. **Lead** December JGB futures are down 0.17 at 146.10 at the midday close. (eleanor.warnock@wsj.com)

Editor: TFD

0319 GMT [Dow Jones] Bank Indonesia will hold an extraordinary meeting today in response to a government increase in the price of subsidized fuel, a bank official says, with economists tipping a slight rise in the bank's benchmark policy rate. The central bank will issue a statement at 3 p.m. Jakarta time today, the official says. Given that in BI's last extraordinary meeting, in August 2013, it raised rates 50bps, "there is a good reason that we might see the central bank hiking today," says OCBC economist Wellian Wiranto. A hike of 25bps to help offset inflation would "help cement BI's revamped reputation as a more proactive central bank since 2013." Wiranto says the fuel-price increases will likely raise inflation to around 7.6% year-on-year in December, up from less than 5% currently, while Finance Minister Bambang Brodjonegoro said Monday night that inflationary pressures would likely last through February 2015. (ben.otto@wsj.com; @benottoWSJ)

Editor: KLH

0315 GMT [Dow Jones] **Gold** prices are marginally lower in Asian trade. The yellow metal's price has weakened as the U.S dollar strengthened following news Monday that Japan's economy shrank for a second quarter in a row--**gold** moves in inverse relation with the dollar. At 0305 GMT, the spot **gold** price was at \$1,187/oz, compared to the opening price of \$1,187.20/oz. (biman.mukherji@wsj.com)

0251 GMT [Dow Jones] The Nikkei is up 1.7% at 17258.97 midday as the dollar consolidates its overnight gains (USD/JPY now 116.54). Overall trading volume is well down from recent sessions, however, now at just 1.24 **billion** shares. "Monday's gross domestic product data offered investors the biggest event-driven trade since the Bank of Japan's October 31 surprise monetary easing announcement," says an **equity** trading director at a foreign brokerage. "Today, overseas investors are covering short positions but little else; they are waiting to see what kind of stimulus package the government will offer since the economic data was so bad." (bradford.frischkorn@wsj.com)

Editor JSM

0228 GMT [Dow Jones] **China** yuan is steady as the market looks for a direction after the boost from Shanghai-**Hong Kong** stock connect wears off. The yuan is at 6.1241, unchanged from Monday's close, ignoring the central bank set the fixing at 6.1430 vs 6.1409 Monday. "Since the central bank shows no intention to initiate another round of yuan depreciation, as it did in earlier this year, the yuan may slowly appreciate. But the yuan's upside room will be capped with a stronger dollar overseas," says a Shanghai-based foreign bank trader. Offshore, one-year USD/CNY NDFs are at 6.2620/6.2654 from 6.2630/6.2650 late Monday. (wynne.wang@dowjones.com)

Editor: KLH

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