

# THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/asian-morning-briefing-dow-closes-at-record-1410989478>

## ASIA STOCKS

# Asian Morning Briefing: Dow Closes at Record

Sept. 17, 2014 5:31 p.m. ET

## MARKETS AT A GLANCE

(All data as of approximately 5 p.m. ET)

	LAST	CHANGE	% CHG
DJIA	17156.85	24.88	0.15%
Nasdaq	4562.19	9.43	0.21%
S&P 500	2001.57	2.59	0.13%
Japan: Nikkei 225	15888.67	-22.86	-0.14%
Hang Seng	24376.41	240.4	1.00%
Shanghai Composite	2307.89	11.34	0.49%
S&P BSE Sensex	26631.29	138.78	0.52%
Australia: S&P/ASX	5407.3	-38.1	-0.70%
UK: FTSE 100	6780.9	-11.34	-0.17%

	PRICE	CHG	YIELD%
U.S. 2 Year	-2/32		0.573
U.S. 5 Year	-8/32		1.832
U.S. 10 Year	-7/32		2.622
Australia 10 Year	-6/32		3.65
China 10 Year	12/32		4.25
India 10 Year	1/32		8.498
Japan 10 Year	7/32		0.556
German 10 Year	2/32		1.007

	LAST	(MID)	CHANGE
Australia \$ (AUD/USD)	0.8958		-0.0004
Yen (USD/JPY)	108.36		0
S. Korean Won (USD/KRW)	1035.04		0.09
Chinese Yuan (USD/CNY)	6.1403		-0.0011
Euro (EUR/USD)	1.286		-0.0005
WSJ Dollar Index	76.74		0.02

	LAST	CHANGE	% CHG
Crude Oil	94.04	-0.84	-0.89%
Brent Crude	98.7	-0.35	-0.35%
Gold	1223.6	-13.1	-1.06%

## SNAPSHOT:

Stocks rose as investors after the Federal Reserve said that it would keep short-term interest rates near zero for a "considerable time." Bond prices pulled back and gold extended losses on dollar strength. Oil prices declined after a report showed a surprise increase in inventories.

## OPENING CALL:

Investors will get a reading Thursday on New Zealand's second-quarter GDP growth, which is expected to increase to an annualized rate of 3.6% from 3.3% in the first quarter. In China, the National Bureau of Statistics reports the August house price index. The index for the previous month fell 0.89% on the month and +2.43% on-year.

## EQUITIES:

Stocks rose, with the Dow Jones Industrial Average closing at a record, as investors were reassured by the prospect of low interest rates for a while longer.

"We're not looking for any sudden moves by the Fed, and the comments were confirmation of that," said Curtis Holden, senior investment officer with Tanglewood Wealth Management, which manages \$850 million.

However, the U.S. central bank in its latest policy statement also confirmed that it would end its bond-buying program next month and offered new details on what mechanism it plans to use to raise interest rates when that time comes. Stocks rallied briefly in afternoon trading, with the Dow reaching a new intraday high during a news conference from Fed Chairwoman Janet Yellen. But benchmarks pared gains before the close. Traders said that the news from the Fed had been anticipated, which helped drive a rally during the previous session.

"The people who bought yesterday got affirmation...the Fed seems to have their back," said Michael Antonelli, a sales trader with Robert W. Baird.

Shares of home builders rallied after news that optimism in the sector jumped by more than expected in September, and a strong earnings report from the sector. The iShares U.S. Home Construction Index, which tracks the sector, rose 2.3%. And home-builder Lennar Corp. rallied 5.8% after posting better-than-expected earnings and revenue in its fiscal third quarter.

In corporate news, activist firm Trian Fund Management has launched a campaign for the breakup of DuPont Co. Shares rose 5.2%.

Stocks in Hong Kong led Asian markets higher Wednesday, after China resorted to using another targeted stimulus measure for jump-starting its economy.

#### FOREX:

The dollar soared to a new six-year high against the yen and rallied against the euro after the Federal Reserve gave more guidance on its plans to raise interest rates amid an economic recovery in the U.S.

While the Fed reiterated in its statement that it would be a "considerable time" before it raises rates, it also gave a more detailed description of how it would manage an increase when the time arrives. Investors saw the comments as another step toward lifting rates, which have been at current historic lows since 2008.

"The Fed is switching gears and talking about the actual modalities of raising rates," said Aroop Chatterjee, a strategist at Barclays. "This is a significant change, and it is being reflected in a strengthening dollar."

The Fed's increasingly hawkish tilt comes as European and Japanese central banks are still trying to kickstart their economies and relying on policies such as bond buying that tend to drive down interest rates and reduce the value of a currency. Earlier in September, the European Central Bank surprised investors with a rate cut, bringing down the euro.

"In the big picture, the Fed is decreasing its balance sheet and looking to tighten policy, while the ECB and Bank of Japan are on the opposite path," said Kiran Ganesh, a strategist at UBS Wealth Management.

#### BONDS:

Treasury bonds pulled back for the first time this week as the Federal Reserve's latest monetary-policy releases renewed worries about higher interest rates.

Shorter-dated Treasuries led the selling, as their yields are directly affected by the Fed's interest-rate outlook.

At the conclusion of the Fed's two-day meeting, the Fed retained its guidance that short-term interest rates will remain near zero for a "considerable time" after the bond-buying program is expected to end next month.

But what spooked bond investors was that Fed officials expect the official interest rate to end higher by the end of next year compared with their predictions in the June meeting. The median forecast from Fed officials sees the fed-funds rate at 1.375% by the end of 2015, compared with a 1.125% forecast in June.

The latest forecasts suggest "a faster pace of rate increases next year," which sent bond yields higher, said Todd Hedtke, vice president of investment management for Allianz Investment Management, which manages more than \$600 billion in assets globally.

Mr. Hedtke said the Fed's message was "confusing" to bond investors, causing the gyrations in bond prices. He expects volatility in bond prices to rise as the Fed moves closer to raising interest rates.

Gary Pollack, who helps oversee \$12 billion as head of fixed-income trading in New York at Deutsche Bank AG's private wealth-management unit, said the Fed releases don't represent "a huge change," but they do "remind investors the Fed is getting closer to raising interest rates, and the bond market reacted to that."

**COMMODITIES:**

U.S. oil prices ended lower after weekly government data showed domestic oil supplies unexpectedly rose.

Crude-oil stockpiles increased by 3.7 million barrels to 362.3 million barrels in the week ended Sept. 12, the U.S. Energy Information Administration said. Analysts had predicted stocks would fall by 1.2 million barrels, according to a Wall Street Journal survey.

The surprise increase in overall supplies offset a decline in oil stored in Cushing, Okla., where the benchmark Nymex contract is priced. Low supplies at Cushing have boosted U.S. oil prices in recent months on concerns that inventories at the hub could fall too low for oil to be easily pumped out of storage.

Refining capacity utilization dropped almost a full percentage point to 93.0%. Analysts had expected the operating rate to fall by 0.7 percentage point in the week.

However, refinery utilization is still remarkably high, said Carl Larry, analyst at Oil Outlooks & Opinions, noting that refiners have processed more than 16 million barrels a day of crude oil for 12 straight weeks.

Refinery utilization typically falls in September and October as refiners undergo seasonal maintenance, but some refiners have delayed maintenance to take advantage of high margins, Mr. Larry said.

Gasoline stockpiles fell by 1.6 million barrels. Analysts had predicted stockpiles would be unchanged from the previous week.

Gold prices extended their losses as the dollar strengthened and traders mulled the Federal Reserve's policy statement.