# Aussie, Kiwi Gain as China Manufacturing Index at 16-Month High
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By Candice Zachariahs

Sept. 2 (Bloomberg) -- The Australian and New Zealand dollars rallied from losses last week after Chinese government data showed manufacturing reached a 16-month high, bolstering the outlook for exports from both South Pacific nations.

The Aussie is set for its biggest advance since May versus the yen after Australian building approvals rose more than twice as fast as economists forecast. Gains were limited before the Reserve Bank meets tomorrow amid speculation policy makers will reiterate a willingness to cut interest rates already at a record low. New Zealand's dollar was set for the biggest climb in five weeks as data showed the nation's terms of trade rose.

"The Aussie dollar began the session on the front foot given the China manufacturing data and we saw another leg up after building approvals came in well above expectations," said Jim Vrondas, the Sydney-based chief currency and payment strategist at OzForex Ltd. "It will struggle above 90 cents."

Australia's dollar rose 0.9 percent to 89.83 U.S. cents as of 5:28 p.m. in Sydney after touching 88.93 on Aug. 30, matching the least since Aug. 5. It gained 1.8 percent to 88.97 yen. The kiwi climbed 1.1 percent to 78.09 U.S. cents, poised for the biggest gain since July 25, and jumped 2 percent to 77.36 yen, set for the largest advance since April 8.

China's Purchasing Managers' Index was at 51.0 in August, the National Bureau of Statistics and China Federation of Logistics and Purchasing said yesterday. HSBC Holdings Plc and Markit Economics said today a final reading of their PMI for China was 50.1, with readings above 50 indicating expansion. China is the biggest export destination for Australia and New Zealand.

## Building Approvals

The Aussie rose for the first time in six days as a statistics bureau report showed home building permits surged 10.8 percent in July, compared with the median estimate in a Bloomberg News survey for a 4 percent advance. Company operating profits fell 0.8 percent in the second quarter, missing forecasts for 0.9 percent growth, separate data showed.

Swaps traders are pricing a 56 percent chance that the RBA will lower its benchmark rate from 2.5 percent by year-end, according to data compiled by Bloomberg.

"Markets are still focused on a rate cut in the short term," said Darryl Conroy, a Brisbane-based analyst at Suncorp

Group Ltd. “Any bounce in the Aussie will be quite capped because the market is focusing on some of the negatives.”

Australia’s 10-year bond yield rose six basis points to 3.96 percent and three-year rates climbed to 2.75 percent from 2.70 percent on Aug. 30.

New Zealand’s terms of trade, or export prices relative to import prices, surged 4.9 percent in the second quarter, according to today’s data. The index reached an 18-month high as export prices rose by the most since the first quarter of 2011, the report showed.

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