DOW JONES NEWSWIRES

DJ Australian Equities Roundup -- Market Talk

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0632 GMT - A retreat by the major banks countered gains elsewhere, pulling Australia's stock benchmark lower for the 1st time this week. After a holiday yesterday, the S&P/ASX 200 fell 0.2% to 5910.8 following solid early gains. Westpac skidded 3.6% after UBS raised questions about the health of the lender's mortgage book. Meanwhile, regional player Bank of Queensland shed 4.9% as it traded ex-dividend. Several big mining stocks eased as well, but the energy sector perked up as oil is rising again. Elsewhere, hospital operator Healthscope jumped 15% following a takeover bid. (robb.stewart@wsj.com; @RobbMStewart)

0602 GMT - Australian Treasurer Scott Morrison points to a stronger bottom line for the government's coming-FY budget, due to be announced in May. The country's 1Q export-price data shows why, with 4.9% growth from 4Q led by commodities. Most forecasters had commodity-price assumptions for the coming year much lower than where markets currently are, notes CBA, and commodities exporters are logging earnings beats--meaning higher dividends and a stronger revenue position. (james.glynn@wsj.com; @JamesGlynnWSJ)

0541 GMT - Westpac defends the health of its mortgage book against doubts cast by a UBS report amid the ongoing judicial probe of the industry and worries over responsible lending. The bank acknowledges "media and analyst reports" relating to a 2016 regulatory review of certain controls on mortgage requirements, saying it used the findings to improve policies for signing up home loans. Mortgage delinquencies and losses remain low relative to historical and industry averages, Westpac says, noting mortgages 90+ days overdue stood at 0.67% at end-December. Westpac shares are down 4.1%, leading losses among the bank majors. (robb.stewart@wsj.com; @RobbMStewart)

0404 GMT - Australian import prices rose by 2.1% in 1Q and were up by 2.3% on a year ago, the fastest annual growth rate in two years. Craig James, chief economist at Commsec says that in terms of implications for inflation, import prices are certainly worth watching. If externally-generated price pressures remain high, the annual rate of underlying inflation would be on course soon for 2.5% in the coming year, he says. (james.glynn@wsj.com ; @JamesglynnWSJ)

0338 GMT - Australian Treasurer Scott Morrison has confirmed government tax revenues have been bolstered by strength in the underlying economy, record business conditions and strong rise in employment. Tax receipts until February were running A$4.8 billion higher than estimated in December, including A$1.2 billion in higher individual tax receipts and A$3 billion in higher company tax receipts, he says. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0254 GMT - The return of Qantas Airways to Singapore as its stopover on the popular Australia/Europe route will further boost Changi Airport's European traffic. Such customer levels rose 13% from a year earlier in March as Qantas flights resumed stopping at Singapore after 5 years of using Dubai as their stopover and Lufthansa restarted service to Munich. The Singapore airport's overall traffic increased 8.7% in March, with 23% growth to India and 13% to China. The increases come as Singapore invests heavily to build a 5th terminal amid anticipated passenger growth. (gaurav.raghuvanshi@wsj.com)

0208 GMT - Though Fortescue continues to make headway to strengthen its balance sheet, below-expectation production in F3Q and a rise in costs suggest things will only get more difficult for the iron-ore miner, Jefferies reckons. It says it was a weak quarter operationally and the widening discount that Fortescue fetches for its ore continues to hurt and ultimately is the main problem for the company. Jefferies has a target of A$3.75 on the stock, envisaging downside even with today's drop of 1.8% to A$4.49. (robb.stewart@wsj.com; @RobbMStewart)

0203 GMT - Sydney house prices continue to weaken. According to Domain Group's 1Q house price report, Sydney prices dropped 2.6% over the quarter, their biggest slide since 2015. The retreat comes as tighter mortgage lending restrictions continue to hit property investors. The data is likely to be welcomed by the RBA, which has been concerned about rising mortgage debt at a time of flat wages growth. Housing market conditions remains a key focus of the central bank. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0200 GMT - Recent weakness in IOOF's shares has increased its P/E discount to Australia's all-industrials index, excluding banks, to 18% from a 5-year average of 7% amid the ongoing judicial probe into misconduct in the country's financial industry. Macquarie--which turned bullish on the financial-services firm last month because of the valuation gap--says today it's difficult right now to quantify what, if any, impact will emerge from the Royal Commission's recommendations. Shares are down 0.8%, putting the month's skid at 8.8%. (robb.stewart@wsj.com; @RobbMStewart)

2146 ET - Australia's export price index rose 4.9% in 1Q versus 4Q17, boosted by solid commodity prices, according to the ABS. Metalliferous ores and metal scrap prices rose 6.1% on-quarter, driven mainly by rises in iron ore as Chinese manufacturers continued to build stockpiles, it says. Prices for coal, coke and briquettes rose 6.5%, reflecting demand from China as well as local supply disruptions. Gas, natural and manufactured, rose 13.8%, in response to strong demand for LNG in northern Asia for heating. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0135 GMT - Australia's LNG exports hit a record A$3.1 billion ($2.3 billion) last month with oil at 3 1/2-year highs, estimates advisory firm EnergyQuest. Its analysis shows that with 80 cargoes in the month, shipments rose some 6% from February to 5.4 million metric tons, helped by more shipments from the North West Shelf project. (robb.stewart@wsj.com; @RobbMStewart)

0112 GMT - Prospects for Beach Energy are on the up, with stronger oil prices, drilling success and a move to defer some capital spending plans. Add to that the expectation of a 30% divestment of its Otway Basin assets in Australia, which could help it fund the next phase of development. Macquarie sheds its bearish stance on the shares and lifts its target on the shares by 14% to A$1.20. Stock was last at A$1.52, up 22% 2018-to-date. (robb.stewart@wsj.com; @RobbMStewart)

0101 GMT - The subpoenaed exhibits that have so far passed through Australia's ongoing judicial probe of the country's banks raises questions about the quality of Westpac's A$400 billion mortgage book, which accounts for 70% of its loans, UBS argues. Now bearish on the stock, UBS expects bank majors will further sharpen underwriting standards given the Royal Commission's concerns over responsible lending, which could lead to a sharp reduction in credit availability in Australia. UBS's analysis of inquiry data estimates Westpac's mortgage book has median debt-to-income at 5.4 times, with 35% of the sample having a debt ratio greater than 7 times and 46% of mortgage applications having an assessed net income surplus of less than A$250 a week. (robb.stewart@wsj.com; @RobbMStewart)

2059 ET - Australia's banking regulator (APRA) has announced the removal of a 10% cap on investor mortgage loan growth, and replaced it with more permanent measures to strengthen lending standards. The cap, in place since 2014 was part of a range of actions to reduce higher risk lending. APRA Chairman Wayne Byres says the temporary benchmark on investor loan growth has served its purpose. Lending growth has moderated, standards have lifted and oversight has improved, he says. (james.glynn@wsj.com ; @JamesGlynnWSJ)

0053 GMT - Macquarie says most divisions at Wesfarmers showed an "improved trajectory" in same-store store sales growth after the Australian conglomerate reported results for the fiscal 3Q, which roughly ran from January through March. Growth at Bunnings in Australia and NZ was achieved in all regions and across all product categories, in particular for plants, garden care and outdoor living, Macquarie notes. That's significant because Bunnings will become even more crucial for Wesfarmers after its planned spin off of the Coles grocery unit. Macquarie calculates that total retail sales for the quarter were nearly A$14.9 billion, an increase of 2.8% over the prior corresponding period. (mike.cherney@wsj.com; @Mike_Cherney)

0046 GMT - Short interest in Australia's banks is on the rise, a likely reflection of growing concerns over the ongoing royal-commission inquiry and rising funding costs, Macquarie notes. Short positions across the sector have risen to 1.4%, or roughly A$6 billion, over the first quarter from 0.7%. Still, Macquarie reckons risks are increasingly being captured in current valuations, so it maintains an overweight call on the banks broadly, albeit with no visible near-term catalyst. The ASX 200 financial subindex is now down 0.8%, but remains marginally positive in April after declines the last three months. (robb.stewart@wsj.com; @RobbMStewart)

0044 GMT - Despite a cooled FY production forecast and 6% drop in 3Q gold output, RBC contends Newcrest Mining logged a solid quarter with overall output meeting estimates and cost efforts improving at several mines. Combined with recent news on the restart of activity at Cadia and the anticipated ramp-up to full output rates by mid-year, Newcrest's underperformance should fade, the investment bank adds. Shares are up 0.2% today, putting the week's rebound at 4.1%. (robb.stewart@wsj.com; @RobbMStewart)

26 Apr 2018 03:06 ET DJ Australian Equities Roundup -- Market Talk -2-

0004 GMT - For investors watching rising US yields, the "gloom hand is overplayed," contends Stephen Innes, senior trader with Oanda. He says US equity investors are showing broader confidence despite 10-year US Treasury yield crossing 3% as earnings reports have generally been upbeat out of America. "All this should instill a definite sense of calm at the Asia open," adds Innes even as "massive regional" outflows have occurred this week. The Nikkei and Kospi just opened up 0.3% after yesterday's declines while Australia's S&P/ASX 200 is following Wednesday's holiday. (suryatapa.bhattacharya@wsj.com)

1820 ET -- AUD/USD continues to fall mainly because of the stronger USD. Iron ore and coal prices are also softer. CBA says Australia's strong export prices are the main force driving AUD, not negative interest-rate spreads. 1Q trade price index data at 0130 GMT is expected to show further gains, lending AUD strength in Asia trading, says CBA. james.glynn@wsj.com ; @JamesGlynnWSJ

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