

HD Citi Initiates AGL Energy at Buy -- Market Talk

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23:25 GMT [Dow Jones] Citi initiates coverage of AGL **Energy** (AGK.AU) with a buy recommendation and A\$15.56 price target, noting the **energy** retailer has underperformed its peers and the ASX100 over the last six months. It also likes its recent **acquisition** of Macquarie Generation in New South Wales state, which it says the market is undervaluing. "MacGen's location in the Upper Hunter valley and burning low quality, non-exportable **coal** means that it has a structural **coal** cost advantage," it says, valuing the asset at A\$1.9 **billion**-to-A\$2.0 **billion**, or A\$2.90/share. AGK is down 0.4% at A\$13.53. (Ross.Kelly@wsj.com)

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23:21 GMT [Dow Jones] **Gold**'s slide to around \$1,210/oz. can be explained not just by a stronger U.S. dollar--the pair tend to share an inverse correlation--but by easing concerns about inflation, according to HSBC precious metals analyst James Steel. "The decline in inflation expectations has played a secondary role in pressuring **gold**," he says, noting the U.S. 10-year break-even yield--a proxy for the market's inflation expectations--has fallen to a 15-month low. "A lack of inflationary expectations is traditionally bearish for **gold**," which is often bought as an alternative store of value, says Mr. Steel. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

23:21 GMT [Dow Jones] Part of the decline in mall traffic among U.S. teenagers can be attributed to the establishment of mall curfews and added security in the 2000s, according to analysts at Piper Jaffray in their semi-annual Taking Stock With Teens report on teenage consumer behavior. The average number of annual mall trips by teens aged 13-19 has fallen 26% to 29 visits per year from its peak in 2007, the **firm** notes, due in part to the beefed up security against "disruptive" teens, as well as other factors including the rise of e-commerce and decline of logo-based fashion trends. To illustrate the imposing nature of mall security, the **firm** includes within the note a standalone screen grab of the DVD cover of "Mall Cop," a 2009 film starring Kevin James. (sara.germano@wsj.com @germanotes)

19:20 ET [Dow Jones] Travel insurer Cover-More Group (CVO.AU) is a good way to bet on changing travel preferences among Australians, according to Bell Potter. The broker expects the longer-term structural shift toward outbound versus domestic holiday travel to continue, despite slowing growth in outbound departures in August. "The best way to play this recovery is through CVO given its travel insurance business is leveraged to short-term international departure volumes for holiday purposes," the broker says. It notes that Cover-More isn't adversely impacted by any offsetting decline in international airfares, in contrast to Flight Centre (FLT.AU), given premiums change only marginally based on the price of travel. (rebecca.thurlow@wsj.com; @beckthurlow)

23:19 GMT [Dow Jones] The Australian dollar is among the G-10 currency basket's current top 10 performers having rallied overnight on the back of short-covering to a high around \$0.8834. It has covered a lot of ground quickly. After U.S. payrolls on Friday, it had been trading around \$0.8650. In the absence of key domestic data, the Aussie dollar is expected to trade quietly until the release of September employment data on Thursday. Greg Moore, senior currency strategist at RBC Capital Markets said **China** PMI data will be the most significant data in Asia followed by the release of September FOMC minutes. AUD/USD now \$0.8809. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

[Dow Jones] 22:47 Empired (EPD.AU), an Australian **company** that provides information technology services to business, offers a more technical and customized package than rivals, justifying a buy recommendation and A\$0.95 price target, says Bell Potter. The bullish call comes despite the **company**

last month issuing new shares at a discount to potentially fund acquisitions, prompting Bell Potter to downgrade its per share earnings forecast by 8-10% over the next three financial years. Part of its price target is dependent on the **company** making an **acquisition** in the next few months. "So we are giving the **company** the benefit of the doubt at this stage but the clock is ticking," the broker says. Empired was last at A\$0.745. (Ross.Kelly@wsj.com)

Bell Potter trims its earnings forecasts for BT Investment Management (BTT.AU) to reflect mark-to-market adjustments and expectations of a lower performance feel in fiscal 2015 but says the short-term weakness in **equity** markets provides an opportunity to buy the shares. Bell Potter's price target falls to A\$8.10/share from A\$8.40. It lowers its earnings estimate by 2.1% for FY14, by 8.8% for FY15 and by 5.4% for FY16. It anticipates a record closing funds-under-management balance of A\$65.6 **billion** in the September quarter, with strong growth likely achieved in the higher-margin JO Hambro business. BTT last traded at A\$5.90. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

18:30 EDT - The largest U.S. airline-pilots union warned federal air-safety experts to go slow in embracing new technologies to "stream" real-time data off planes, enhance global tracking and install video recorders to keep track of cockpit crews. Charles Hogeman, a senior safety official with the Air Line Pilots Association, told a public forum today that his members remain opposed to cockpit video recorders without assurance of "the appropriate level of security" to prevent unauthorized distribution of images. He said videos -- a point of contention between pilots and NTSB officials -- won't necessarily provide "that increase of information" advocates expect to better understand incidents or accidents. Mr. Hogeman pointedly warned against knee-jerk reactions to Malaysia Airlines Flight 370's disappearance, which he described as "a single event that has not really been understood" or fully explained by investigators. (andy.pasztor@wsj.com)

17:48 EDT - In the latest attempt by the soda industry to lure back lapsed soda drinkers, PepsiCo (PEP) hopes to tap consumer nostalgia by launching a "craft" cola called "Caleb's Kola" that will be sold at Costco stores in a handful of cities, according to industry tracker Beverage Digest. Caleb refers to Caleb Bradham, the North Carolina pharmacist credited with creating Pepsi-Cola more than a century ago. Caleb's Kola is made from water, kola nut extract and sugar, not the high fructose corn syrup used to sweeten today's Pepsi. US soda consumption has been declining since peaking in the late 1990s, with cola faring even worse, amid shifting consumer tastes and rising obesity concerns. PEP is launching another variant, Pepsi True, sweetened with sugar and stevia, on Amazon this month. (mike.esterl@wsj.com)

17:32 EDT - Optimism among small US firms is running at a three-year high, the Principal Financial Group says. In a survey of 600 business owners with fewer than 500 employees, 40% said they had a positive outlook for 2015, up from 26% in 2012. Just over half said their **company's** financials improved in the past year, with 71% reporting surplus capital. A separate survey of 1,000 small firms by Bank of America, also released today, said owners were "content but cautious" about the year ahead. Similarly, a WSJ/Vistage survey last month reported rising optimism among small firms, citing geopolitical conflicts as a potential threat to growth. (angus.loten@wsj.com)

17:29 EDT - High-yield **bonds** are having a bang-up October as investors pile back into the asset class that took the worst beating in risk-off September. Junk bond yields 1.12% in September but the H0A0 index yield has tightened to 5.97% from 6.46% in the past four days, according to research from Bank of America. The rally reflects the return of investors that watched the September bloodletting from the sidelines and a decrease in new supply from primary markets, with only four new deals pricing last week. (matthieu.wirz@wsj.com)

17:27 EDT - Fairholme Capital Management, the investment **firm** run by Bruce Berkowitz, acquired 7,700 shares of Sears Holdings (SHLD), according to a regulatory filing. This follows the **acquisition** of 49,200 SHLD shares by the fund last week. Fairholme controls about a quarter of the **company**, which has been struggling to turn itself around under the leadership of CEO Edward Lampert. Mr. Lampert's hedge fund, ESL Investments Inc., is the largest shareholder with a 48.5% **stake** in the **company**. Amid the broad market selloff, SHLD rallied 4% today to close at \$30.30. (suzanne.kapner@wsj.com)

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