

**HD MARKET SLIGHTLY OFF ITS LOWS ON CHINA DEC CPI AT 2.5%**

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The S&P/ASX200 is down 4.1 points to 5311.9, up about 6 points after the China data at midday, on light volume worth \$1 billion. There are 349 issues higher and 432 down. The March SPI Futures is down 11 points to 5276 on light volume of 5723 contracts. Aussie 10 year bond yields are up 3 points to 4.34%. The \$A is at 88.95US c, down about 15 points from early levels.

\*The banks have contributed 4.2 negative points to the index, resources have contributed 2.4 negative points, property trusts have contributed 0.5 negative points, retailers have contributed 1.1 positive points and Telstra has contributed 0.2 negative points.

\*The Nikkei Dow futures is down 230 points to 15,880 points, Shanghai CSI physical is up 2.2 points to 2046.54, Hang Seng futures is down 9 points to 22930. S&P futures is down 0.4 points to 1832, Nasdaq futures is down 1 points to 3563, Dow futures is down 3 points to 16,405 points.

Gold futures are up 70c to \$1226.2. Crude futures are up 27c to \$92.60.

\*China's CPI continues to fall

China's CPI has come in at 2.5% for December vs a year earlier, and vs 3% in November from a year earlier, compared with 3.2% in October.

Our market rose from down 10.3 points to down about 4 points following the China CPI number which shows a falling trend - our market may pick up further in the afternoon, led up by the miners.

Except for retailers after the Christmas buying season, sectors are lacklustre or lower.

"Down 10 today - break of next support level at 5300 would be quite bearish"

Ben Faulkner, a senior adviser at Morgans said, "Our market closed right on support yesterday, with the next support level at 5300. A break of 5300 would be quite bearish in the short term. Resources are continuing to under perform.

"I'll call it down 10 points today - we have already factored in some of the sell off on the Dow last night".

The S&P/ASX200 closed down 1 point to 5316 last evening.

ECO NEWS

Retail sales rise in November

The ABS reported the trend estimate for retail sales rose 0.5% in November 2013. This follows a rise of 0.5% in October 2013 and a rise of 0.5% in September 2013.

The seasonally adjusted estimate rose 0.7% in November 2013. This follows a rise of 0.5% in October 2013 and a rise of 0.9% in September 2013.

In trend terms, Australian turnover rose 4.1% in November 2013 compared with November 2012.

The following industries rose in trend terms in November 2013: Cafes, restaurants and takeaway food services (1.1%), Other retailing (0.9%), Food retailing (0.3%), Clothing, footwear and personal accessory retailing (1.2%), Department stores (0.5%) and Household goods retailing (0.1%).

The following states and territories rose in trend terms in November 2013: New South Wales (0.6%), Victoria (0.7%), Queensland (0.4%), Western Australia (0.4%), South Australia (0.3%), Tasmania (0.8%), the Australian Capital Territory (0.5%) and the Northern Territory (0.6%).

Seasonally adjusted estimate for total dwellings approved fall in November

The ABS reported the trend estimate for total dwellings approved rose 2.4% in November and has risen for 13 months.

The seasonally adjusted estimate for total dwellings approved fell 1.5% in November and has fallen for two months.

The trend estimate for private sector houses approved rose 1.1% in November and has risen for 11 months.

The seasonally adjusted estimate for private sector houses rose 6.0% in November following a fall of 0.2% in the previous month.

The trend estimate for private sector dwellings excluding houses rose 4.4% in November and has risen for eight months.

The seasonally adjusted estimate for private sector dwellings excluding houses fell 9.7% in November and has fallen for two months.

The trend estimate of the value of total building approved rose 2.3% in November and has risen for 22 months. The value of **residential** building rose 2.6% and has risen for nine months. The value of non-**residential** building rose 1.9% and has risen for three months.

The seasonally adjusted estimate of the value of total building approved fell 3.2% in November after rising for four months. The value of **residential** building fell 1.9% after rising for five months. The value of non-**residential** building fell 5.3% following a rise of 20.1% in the previous month.

#### TOP STOCKS

\*Fonterra is down 5c to \$5.42 on 25,000 shares on the report below.

\*Saracen is up .2c to 18.7c on 262,790 shares on the report below for the excellently managed **company**.

\*Kathmandu is up 17c to \$3.19 on 278,341 shares.

Among the financials, AMP is down 1.5c to \$4.40.5 on 1m shares, ANZ is down 13c to \$31.58 on 1.58m shares, CBA has gained 2.5c to \$77.90.5 on 615,766 shares, NAB is down 1c to \$34.39 on 955,138 shares, Westpac is down 17.5c to \$31.86.5 on 1.45m shares.

Among the TMT's Telstra is down 1c to \$5.27 on 6.9m shares, Telecom NZ is down .5c to \$2.14.5 on 158,059 shares, SingTel is steady at \$3.14 on 51,102 shares.

Among the resources BHP is down 16c to \$36.88 on 1.23m shares, RIO is down 4c to \$65.31 on 496,211 shares. Fortescue is down 4.5c to \$5.34.5 on 5.89m shares, Atlas is down 3c to \$1.03 on 8.3m shares, OZL has fallen 4.5c to \$3.07.5 on 205,585 shares, Paladin is up .2c to 44.2c on 2.9m shares.

Among the oils, Woodside is up 4.5c to \$37.92.5 on 588,997 shares. Santos is up 12c to \$14.41 on 690,324 shares. **Oil** Search is up 1.5c to \$8.13.5 on 1.75m shares.

Among the golds, Newcrest fell 3c to \$8.38 on 894,862 shares, Oceana fell 1c to \$1.63 on 168,650 shares, Perseus was steady t 27.5c on 1.7m shares, Silver Lake rose 1c to 57.5c on 3.37m shares. Alacer was down 3c to \$2.31 on 106,352 shares.

#### AT THE SMALLER END

\*Red Mountain is up another 1.4c to 3.1c on 184 **million** shares on the report below.

\*TZL is up 1.5c to 15c on 2.87m shares on the report below.

\*Forge **Group** recovered 14c to \$1.24.5 on 10.8m shares.

#### NEWS OF THE DAY

\*Number of job listings in New Zealand increased 17% in the final quarter of 2013

TradeMe **Group** head of Trade Me Jobs, Peter Osborne said the number of job listings increased 17% in the final quarter of 2013 over the same period last year, with many employers predicting a healthy job market for 2014.

He said several regions recorded year on year job ad growth in excess of 20% during the last quarter of 2013 with Bay of Plenty up 28%, Waikato up 26%, Nelson/Tasman up 28% and Canterbury up 23% the notable standouts.

Auckland represents almost 40% of the national market and saw 17% growth on the previous year, Christchurch job listings rose 24% on the same period last year while Wellington job growth in the December quarter was 7.4% vs a 3.1% rise in September.

\* The Reserve Bank of India has raised the cap on the proportion of loan to the value of **gold**. Finance companies can lend as much as 75% of the value of the **gold** deposited with them, up from 60% earlier, the central bank said in a statement on Wednesday.

#### LARGE CAP INDUSTRIALS

\*FSF: Confirms Danone has initiated legal proceedings

Fonterra today confirmed that Danone has formally initiated legal proceedings following the whey protein concentrate precautionary recall initiated by Fonterra in August last year.

Fonterra has been in ongoing **commercial** discussions with Danone and it is disappointed they have resorted to legal action. Fonterra will now work through the detail of Danone's claims. It continues to be confident in its position and will vigorously defend any proceedings.

\*HFA: 1st half profit to be sharply higher/possible **transaction**, but incomplete

HFA Holdings Ltd announced it expects to report improved earnings results for the first half of the 2014 financial year as a result of positive performance of the funds managed by its subsidiary businesses for the six months to December 31 2013, which have delivered higher performance fee revenue, as well as a reduction in operating expenses.

Net profit after tax for the half year is expected to be \$US6.4 **million** vs \$US2.6 **million** for the previous corresponding period.

EBITDA is expected to be \$US12.5 **Million** vs \$US8.7 **million** for the pcq.

The **board** also noted articles published on Reuters this morning commenting on the speculation of a possible **transaction** and business performance.

The **board** routinely undertakes reviews of various matters to explore ways to enhance shareholder value. Such a review process remains incomplete and in no way indicates a material **transaction** is imminent or certain.

\*QAN: Notes downgrade by Moody's

Qantas Airways Ltd notes today's announcement by Moody's Investor Services that its senior unsecured rating has been downgraded to Ba2, outlook negative after being placed on review on December 5 2013.

This followed Moody's placing Qantas on review on December 5.

CFO Gareth Evans said the downgrade was not unexpected. He said in the report, "Qantas is a strong business with a track record for disciplined financial management. We will make the necessary decisions now, however tough they might be, to ensure we remain strong and disciplined in the years ahead".

#### LARGE CAP RESOURCES

\*SAR: Dec qtr prod up/hedged @ \$A1,694% for 100% 8 mth prod/costs falling

Saracen Mineral Holdings Ltd in an update on the production results for the December quarter ahead of its full quarterly report said **gold** production was 21,096 ozs in the December quarter exceeding guidance of 28,000/30,000 ozs.

Yera to date 72,337 ozs have been produced, 11% ahead of the upper end of increased guidance of 120,000/130,000 for the full year. This included 16,346 ozs mined from the Red October underground mine in the December quarter, exceeding the previous record and 18,351 ozs from the Whirling Dervish open pit in the December quarter vs 3,174 ozs in the September quarter.

Cash and bullion decreased by \$4.8 **million** to \$22.8 **million** over the quarter due to the planned additional discretionary expenditure of \$5 **million** for exploration activity and bringing forward the tailings storage facility works as outlined in the September quarterly.

The mark to market value of the **company's** hedge book of 177,364 ozs as at December 31 was \$A41.2 **million** based on a spot price of \$A1,352.34 per oz.

Managing director Raleigh Finlayson said in the report, "Saracen has taken a risk averse view on the near term **gold** price and added additional ounces to its price projection program during Decemebr 2013.

The additional 38,500 ozs placed on a spot deferred basis at \$1,384.5 per oz and dovetail into the existing forward program of 141,400 ozs at an average price of \$A1,694 per oz.

Saracen has the flexibility to deliver up to 100% of production into hedging or the next 8 months over which period the all-in sustaining cash costs are forecast to fall from \$A1,500/oz to \$A950/oz in full year 2015.

Our note: Raleigh Finlayson, a **mining** engineer, joined Saracen in 2008, has over 18 years experience.

#### MID TO SMALL INDUSTRIALS

\*BNE: European patent for key platform for rheumatoid arthritis treatment

Bone Medical Ltd announced it has been notified of the allowance of its Lexcicon patent by the European Patent Office. The Lexicon platform technology is used to provide a molecular framework for novel peptides generated from the **company's** Mozaic discovery technology. Together the two platforms form the proprietary foundation for the **company's** novel rheumatoid arthritis compound BN006.

In an animal model of rheumatoid arthritis BN006 has shown it can achieve the same anti inflammatory efficacy of the leading marketed rheumatoid arthritis treatment, but with significantly less suppression of TNF redycubg the immunosuppressive side effects, one of the key limitations of currently marketed treatments, CEO Peter Young said in the report.

\*NWT: \$160.47 **million** new contract for Jabiru-1

NewSat Ltd announced it has secured an additional \$US26 **million** of revenue on Jabiru-1 with a publicly listed South West Asian telecom **company**. The contract is for the supply of \$US160.47 **million** of Jabiru-1 satellite transmission capacity over Pakistan, Afghagistan and the Middle East over a 15 year term.

NWT Founder and CEO said in the report the \$US160 **million** contract replaces a mutually terminated contract.

\*TZL: \$A800,000 order received by Telezygology, expects strong year ahead

TZ Ltd announced its wholly owned US subsidiary Telezygology Inc has received a **purchase** order of around \$A800,000 for a large scale TZ Centurion System deployment scheduled for delivery in the first half of this calendar year. The **sale** is the largest single **purchase** order received by the Infrastructure Protection (IXP) business.

Executive chairman Mark Bouris said in the report said the **group's** 2014 outlook envisages continued strong growth for all IXP regions particularly in the financial services sector as the Payment Card Industries Data Security Standard Version 3 (PCI-DSS V3) which came into effect on January 1 2014 has raised the bar considerably for the physical security aspects required for the protection of cardholder information.

#### MID TO SMALL RESOURCES

\*RMX: New trenching results inc. from surface include 55.9gpt Au, 31.2gpt Au

Red Mountain **Mining** Ltd announced further significant **gold** results from vertical sampling through the shallow dipping layer of colluvial boulders and rubble at its Lobo Prospect, Batangas **gold** project in the Philippines.

The peak new trench sampling intersection in additional sampling of Trench 7 is 1.8m at 55.9gpt Au vertically from surface including 0.9m at 110 gpt Au.

Also additional results from Trench 13, 100m southwest of Trench 7 from vertical sampling of a colluvium boulder intersected 1.2m at 17.2gpt Au from 1.2m vertical depth including 0.6m at 31.2gpt Au.

Ful trenching results to date were released.

Managing director Jon Dugdale said in the report the additional high grade **gold** results indicate that the exceptionally high grades in bedrock are also dispersed into the overlying colluvium rubble from right at surface.

Exploration Targets have been defined for the Japanese Tunnel and Pica prospects and a continuous program of soil sampling, mapping and surface trenching continues to define targets at the Lobo prospect.

Our note: Jon Dugdale graduated as a geologist with first class honours from the University of Melbourne in 1986 and has 27 years **mining** and investment experience in Australia and the Asian region with Western **Mining** Corporation (WMC), **Mining** Project Investors (MPI), Leviathan Resources and Lion Selection **Group**. With MPI from 1993 to 2004, Jon was involved with the exploration and development of several discoveries including Silver Swan nickel deposit in Western Australia and Golden Gift **gold** deposit in Stawell, Victoria, Australia for which he jointly received the Joe Harmes medal for contributions to economic geology. With Lion, Jon obtained financial and investment skills as well as exposure to the valuation and development of **mining** projects in the Asian region.

\*RNI: Up to 32.3gpt Au in drilling at Grosvenor **gold** project

Resource and Investment NL announced assay results from a 1,122m RC drilling program at the Ricks Prospect, part of the Daylight/Starlight **gold** resource at the **company's** Grosvenor **gold** project, 170 km northwest of Meekatharra in Western Australia has returned up to 32.3gpt Au in **gold** assays, in line with expectations.

RNI has also completed a 518.6m metallurgical diamond drilling program at the Callies and Yarlalweelor open pits, with RC pre-collars and diamond tails, to support ongoing metallurgical testwork. Also a geotech diamond drilling hole was completed at Starlight.

All significant results were reported. Apart from DLRC007 which assayed 10m at 3.87gpt Au from 37m including 1m at 32.3gpt Au from 37m, other best results included 1m at 11.6gpt Au from 38m in DLRC018 and 0.6m at 7.52gpt Au from 244.7m in CLDD001.

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