

HD NAB Results Disappointing Overall - Credit Suisse -- Market Talk

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2343 [Dow Jones] NAB's (NAB.AU) interim report was disappointing overall, with weakness in Australian Banking offsetting signs of turnaround in UK **operations**, according to Credit Suisse. The broker highlights NAB's improved **equity** Tier 1 capital ratio and lower bad debt charge, driven by both Australia and the UK, and an improved impaired assets ratio, particularly in Australia. But underlying profit in the Australian Banking division disappointed, group net interest margins compressed, particularly in Australian business and mortgage lending, and there was ongoing cost-to-income deterioration. NAB trades on 12 times 1-year forward prospective earnings, and 11% discount to its major peers vs a four-year average discount of 8%, according to CS. The broker has an Outperform rating and A\$38.00 target on the bank. NAB last A\$33.84. (david.rogers@wsj.com; Twitter: @DRWSJ)

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2339 GMT [Dow Jones] A slowdown in the **Chinese** property sector and expectations that growth in **copper**-intensive constructions will remain weak could weigh on **copper** prices, Goldman Sachs says in a report. **Copper** is widely used in construction and the investment bank estimates that the property and related sectors account for 60% of consumption. Goldman Sachs has a bearish view on **copper** in 2014 and expects prices to fall to \$6,200/ton. LME 3-month **copper** ended down 1.0% at \$6,654.50/ton Wednesday. (arpan.mukherjee@wsj.com)

2318 [Dow Jones] NAB's (NAB.AU) interim results haven't shot the lights out, with cash profit on the low side of estimates, expenses up and Australian margins under pressure, says IG strategist Evan Lucas. But there were some bright spots as UK assets are showing continued signs of improvement, potentially fuelling speculation of a spin off. Bad and doubtful debts dived 52% and capital generation and the tier-1 capital ratio improved. NAB shares are already trading at a greater-than-normal discount to peers, so the disappointing aspects of today's result may already be factored in to the share price. NAB last A\$33.84. (david.rogers@wsj.com; Twitter: @DRWSJ)

2303 GMT [Dow Jones] Asian markets are likely to post moderate gains although they may continue to see a further rebalancing from high technology stocks into stocks with better earnings and dividends, says Adrian Vance, broker at Forsyth Barr in New Zealand. Locally, the potential for a change in government later in the year has started to weigh on stocks such as **energy** ones, he says. "There are a number of listed companies that are exposed to a change in government, so that has been the main macro theme on the markets over the last week and volumes are lighter than what they've been." The Warehouse Group's (WHS.NZ) 3Q sales results looked pretty good, he says, but it is likely investors had expected that considering how much capital had been reinvested. The NZX-50 is down 0.1% at 5183.06. (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

2251 GMT [Dow Jones] Z **Energy** (ZEL.NZ) reports a lower FY14 net profit for year to March 31 but says its replacement cost earnings are up 12% as it "managed volatility" in different parts of the business. Looking ahead, the **company** was fairly upbeat in its guidance. Its RC Operating Ebitdaf for FY14 was NZ\$219 **million** and it is forecasting RC Operating Ebitdaf for FY15 of NZ\$220 to NZ\$240. The guidance factors in costs associated with the prolonged shutdown of NZ Refining over April, expected to be NZ\$4 **million** to NZ\$6 **million**. The stock was down 0.3% in early trade at NZ\$3.87 while the NZX-50 was down 0.2%. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

17:47 EDT - AUD/USD is a tad lower as investors focus on the Australian employment report with expectations that the unemployment rate will rise, says BNZ strategist Kymberly Martin. "As always, the employment reports are a lot more complex than the unemployment rate, although initially this number

grabs attention." Martin adds BNZ's parent bank NAB expects a rise in the unemployment rate to 6%, higher than market consensus for 5.9%. She adds overall this type of outcome "should not be too negative for the AUD." The pair is at 0.9327, from 0.9340 late last session. Martin puts short-term support for the pair at 0.9320 and resistance at 0.9380. (lucy.craymer@wsj.com; @lucy_craymer)

17:35 EDT - Goldman Sachs doesn't expect ECB to roll out new stimulus tomorrow but adds that any surprise action could fuel rally in euro zone's sovereign bond markets and send already falling yields from Spain to Italy even lower. For now, Goldman believes the ECB will continue to adopt a dovish language bias reiterating that additional measures to boost growth are a possibility in the coming months, such as negative deposit rate. The possibility for ECB to buy government **bonds**, or QE, is "very low and requires evidence of a more acute deflationary risk." Goldman says the prospect of more easing from ECB would shrink the yield spreads of periphery nations vs German bunds further. Goldman is shorting bunds, deeming the market expensive. (min.zeng@wsj.com; @minzengwsj)

17:26 EDT - A big factor behind the softening in CAD is that Canada isn't seeing the same tidal wave of foreign capital inflows that washed ashore after the crisis, says BMO Capital Markets. "At one point, more than C\$100 **billion** of net purchases of **bonds** were pouring into Canada per year," **firm** says. Inflows to Canada's bond market are drying up, but nonresident investors have found an appetite for Canadian stocks--to the tune of C\$32B in inflows in the past year, the highest in almost a decade, BMO says. (don.curren@wsj.com; @dbcurren)

17:20 EDT - \$449.5B of US investment-grade **bonds** have been issued so far in 2014, the highest year-to-date total on record, according to data provider Dealogic. That figure comes from 663 deals, including last month's \$17B issue from Apple (AAPL) -- the largest corporate debt deal ever. This year trumps the \$438B raised from 886 deals by this time last year. Global investment-grade bond issuance so far this year is \$1.05T, a fraction behind the \$1.08T that had been raised by this time last year. (gillian.tan@wsj.com; @gilliantan)

17:08 EDT - NZD/USD stabilizes after coming under pressure last session on comments from RBNZ Governor Wheeler that raised concerns about the central bank acting to stem strength in the local currency. ANZ says Fed Chair Yellen's comments on downside risks from the housing recovery weighed on the US dollar, helping to offset the kiwi's weakness. The pair is at 0.8662, from 0.8690 late last session. ANZ expects the pair to trade in a short-term range of 0.8630 to 0.8700. (lucy.craymer@wsj.com; @lucy_craymer)

16:33 EDT - Nestle (NSRGY) is still able to meet its coffee supply needs from Brazilian farmers, the **company's** commodity supply development manager, Orlando Garcia, says at an event in Guarujá, Brazil. That's despite the worst drought in more than 80 years in some of the country's most important coffee-growing areas. Garcia says it's business as usual and there are no issues with supply at the moment. Nestle is the world's biggest coffee **company**. (jeffrey.lewis@wsj.com)

15:48 EDT - **Bonds** related to Detroit's bankruptcy account for three of seven municipal defaults in 2013 on **bonds** rated by Moody's, the credit rating **firm** said. Detroit defaulted on unlimited- and limited-tax general obligations along with lease-backed debt. Jefferson County, Alabama also defaulted, along with the West Penn Allegheny Health System, the Pontiac City, Michigan school district and the Detroit Academy of Arts & Sciences, a charter school. The seven defaults are just above the yearly average of five since the recession began in 2008, Moody's said. (aaron.kuriloff@wsj.com)

(END) Dow Jones Newswires

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