

HD MARKET CLOSES MILDLY HIGHER ON LIGHT VOLUME

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The S&P/ASX200 closed up 12.9 points to 5422.8 on light volume worth \$3.3 **billion**. There were 515 issues higher and 452 down. The SPI Futures closed up 12 points to 5422 on very light volume of 12,004 contracts. Aussie 10 year bond yields were down 1 point to 4.18%. The \$A is at 92.34US c, up about 15 points from last evening.

*The banks have contributed 3.6 positive points to the index, insurers have contributed 0.2 positive points, resources have contributed 3.6 positive points, **property** trusts have contributed 0.90 positive points, retailers have contributed 0.1 negative points, Telstra has contributed 1.5 negative points.

*Over the week the S&P/ASX200 rose 55.9 points or 1% to 5422.8.

*At 4pm AEST the Nikkei Dow futures was down 20 points to 15,060 points, Shanghai CSI physical was up 7.3 points to 2051, Hang Seng futures was down 38 points to 22,516 points. S&P futures was up 2.40 points to 1885.40, Nasdaq futures was up 6.25 points to 3637 points, Dow futures was up 18 points to 16,519. **Gold** futures rose \$1.90 to \$1286.50. Crude futures rose 4c to \$100.33.

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Our market lifted into the positive around 2.30 pm today, including a 4 point spurt on matchout, on low volume worth \$3.2 **billion**.

Markets across Asia did little, awaiting US job numbers and indications on whether tightening/or further loosening will be the next move.

What is apparent is that the recovery in the US, as well as in the Euro region is tepid at best while stocks in both regions are fully priced since interest rates are practically non existent - as also in Japan.

"Ceiling 5435. Floor 5390. Close at 5400, down 9.9 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open lower with the local futures contract down 1 point. This week has been rather difficult to forecast given the slow grind up that we have seen.

"This slow grind in addition to a number of other bearish tells is entirely consistent with a decline back to at least 5250 before the final run up.

"But it is also consistent with a move to a new rally first, probably 5550, which would be the penultimate/final high.

"I have been basing my forecasts on the former scenario playing out, and I will do the same today but in all honesty it is probably now a line ball decision so I will hedge my bets with the high.

"The ceiling will be 5435. The floor will be 5390. When the dust has settled, the market will have closed at 5400, down 9.9 points.

The S&P/ASX200 closed up 6.6 points to 5409.9 last evening.

The week ahead:

Apr 7: ANZ job ads. Aussie PCI. Ex div: HVN ex 6c; NUF ex 3c; SDI ex .2c. US consum. Cr.

Apr 8: NAB biz conditions. ERA qtr; US JOLTs job op, UK IP.

Apr 9: Aussie hom loans. WMI consum sent Ex div: BKW ex 14c; CDM ex 5c; TPM ex 4.5c; US MBA Mort ind, wholesale inv, crude inv. FOMC mins.

Apr 10: Aussie March jobs. Ex div: PMV ex 20c; US jobless, exp/.imp prices. Treasury Budget. **China** loans, trade bal. UK BOE decision.

Apr 11: Aussie fin commit. BOQ int. Ex div: FFI ex 10c; NHC ex 6c; SOL ex 19c; VELIN ex 5.3c; WAA ex 4.8c, WAX ex 3.8c. **China** CPI. US PPI, Mich Sent.ppt

TOP STOCKS

*Flexigroup recovered 13c to \$3.57 on 1.38m shares.

*Myer was up 8c to \$2.33 on 7.3m shares.

*Boral closed up 3c to \$5.72 on 7.77m shares while CSR gained 3c to \$3.60 on 2.6m shares on the report below.

*Xero is up 80c to \$35.30 on light volume of 84,436 shares.

Among the financials, AMP closed down 1c to 45.06 on 5.14m shares, ANZ rose 16c to \$33.37 on 3.7m shares, CBA is down 5c to \$76.98 on 1.77m shares, NAB rose 1c to \$35.38 on 3.7m shares, Westpac rose 13c to \$34.60 on 4.4m shares.

Among the TMT's Telstra fell 3c to \$5.06 on 20.4m shares, Telecom NZ was steady at \$2.34 on 1.9m shares, SingTel fell 4c to \$3.11 on 703,778 shares.

Among the resources BHP is up 22c to \$37.75 on 4.47m shares, RIO is up 4c to \$63.72 on 1.33m shares, Fortescue rose 6c to \$5.45 on 10.8m shares. Iluka rose 14c to \$9.86 on 2.84m shares.

Among the oils, Woodside fell 5c to \$38.76 on 1m shares. Santos rose 26c to \$13.47 on 2.3m shares. **Oil** Search rose 3c to \$8.5 on 1.6m shares. Buru was up 6.5c to \$1.29.5 on 1m shares.

Among the golds, Newcrest rose 5c to \$9.92 on 1.75m shares, Kingsgate gained 1c to 99c on 1.9m shares, Alacer fell 7c to \$2.81 on 342,598 shares, Oceana was up 3c to \$2.48 on 394,026 shares.

WINNERS AND LOSERS AMONG THE TOP 20

BHP was the winner, up 161c or 4.5% to \$37.75 followed by Fortescue, up 11c or 2.1% to \$5.45 and AMP, up 10c or 2% to \$5.06.

On the downside Origin fell furthest, down 4c or 0.3% to \$14.26 CBA was down 16c or 0.2% to \$76.98.

AT THE SMALLER END

*Hills Industries is up 14c to \$1.84 on 400,000 shares on the report below.

*Codan (metal detector sales, mainly in South Africa) rose 7.5c to 67.5c on 563,810 shares.

*Bone Medical was up .5c to 2.5c on 15.59m shaes on the report below.

NEWS OF THE DAY

***Iron Ore** rose 20c to \$115.20.

Trading points: Our Week's Special is on " CNN: Customers Include Some Of The World's Largest Consumer Goods Companies, Testimony To The Eagerness With Which Cardia's Low CO2 And Fully Compostable Packaging Made From Renewable Materials Is Sought - And To CNN'S Tenacious, Knowledgeable And Energetic Management" posted separately.

LARGE CAP INDUSTRIALS

*AHE: SPP at \$3.49 to be launched, capped at \$10 mln

Automotive Holdings **Group** Ltd announced it will shortly launch a share **purchase** plan offering eligible shareholders the opportunity to subscribe for new shares up to a value of \$15,000 at \$3.49 per new share. The amount to be raised is capped at \$10 **million**.

Market Cap \$1.1b.

AHE up 7 cents to \$3.80

*CDI: Sells 187 Todd Road Port Melb for \$26.25 mln in line with book

Challenger Diversified **Property Group** announced the **sale** of 187 Todd Road Port Melbourne for \$26.25 **million** to the Podco investment syndicate. Todd Road is co-owned by CDI (0%) and Challenger Life **Company** (40%). Following the payment of incentives and selling costs, net proceeds are in line with the December 31 2013 independent valuation. Net proceeds will be used initially to repay debt and CDI will look to reinvest the proceeds into further enhancing portfolio opportunities. The **sale** has no impact on 2014 earnings or distribution guidance.

Market Cap \$555m.

CDI up 4 cents to \$2.59

*CSR/BLD: To combine brick **operations** in NSW, Vic, Qld, SA, Tas, ACT

CSR Ltd and Boral Ltd announced they propose to form a j/v to combine their brick **operations** located on the east coast of Australia including **operations** in NSW, Victoria, Queensland, South Australia, Tasmania and the ACT.

CSR and Boral will approach the ACCC to seek clearance for the **transaction**.

The proposed j/v will be owned 60% by CSR and 40% by Boral to reflect the relative valuation of the two businesses. No cash consideration is proposed.

Brick demand in Australia has experienced a sustained structural decline with bricks becoming an increasingly smaller component of the broader cladding market. Lower brick demand has resulted in declining capacity utilisation, reduced profitability, plant curtailments and closures.

Combined revenue in the order of \$230 **million**, initial overhead savings of \$7/10 **million** per annum following the formation of the j/v and integration of the businesses. Longer term, the consolidation of selected manufacturing sites will lower unit costs of production and enable both companies to develop selected high value land assets without impacting product range and operational capability. It also positions the **business** to deliver returns that recover the cost of capital through building cycles.

The companies said a change in the dwelling mix away from detached houses, traditionally more brick intensive towards multi **residential** units, the virtual elimination of double brick construction from detached houses on the east coast for frame and cladding systems with single brick veneer, emerging trends in external facades to alternative cladding materials have reduced brick demand and impacted the brick industry as a whole.

Cost synergies and the ability to develop certain sites over time without forgoing a similar product range or operational capability is expected longer term.

Market Cap \$1.82b. / \$4.48b.

CSR up 3 cents to \$3.60 / BLD up 3 cents to \$5.72

*FSF: Fonterra Australia and Woolworths proposed partnership

Fonterra in its April 2014 Global **Dairy** Update said New Zealand **milk** volumes were up 6.3% for the season to March 31 to 1.416 mln tonnes.

In its **business** update Fonterra included the Australia and Woolworths proposed partnership, investing in Indonesia consumer and food service, instituting guaranteed **milk** price as a tool to manage volatility.

Fonterra Australia and Woolworths proposed partnership

Fonterra Australia announced it has been selected by Woolworths as their preferred supplier to process Woolworths Own **Brand milk** in Victoria for ten years. This will be confirmed once all contractual arrangements have been finalised.

This means that all Woolworths Own **Brand milk sold** in Victoria will now be made and processed in Victoria, supporting local farmers and jobs in regional communities.

Over \$A30 **million** will be invested in a state of the art **milk** processing plant at FSF's Cobden **site** in South West Victoria that will help deliver on its strategy of providing healthy, nutritious **dairy** foods in every **dairy** category to Australians. It complements FSF's Riverina fresh **milk business** in NSW.

FSF said Australia is its second largest **milk** pool outside of New Zealand so it takes a long term view and aims to deliver profitability, growth and sustainability for all its Australian **dairy** businesses.

Contractual arrangements are being finalised with a view to commissioning the **milk** processing plant at the Cobden **site** in early 2015.

Investing in Indonesia Consumer and Food Service

Construction has started on FSF's blending and packing plant in Indonesia. The \$NZ36 **million** plant will be completed by March 2015. It will have the capacity to pack and blend 12,000 tonnes of advanced and base nutrition **milk** powder products annually, equivalent to 87,000 packs of Anlene, Anmum and Anchor Boneeto every day. Volume growth in ASEAN was up 9% in the half year 2014, with Indonesia being a key growth region. Demand for **dairy** in Indonesia is expected to grow by 5% each year to 2020 and this investment will allow Fonterra to meet local expansion of consumer brands.

Global **dairy** overview

Fonterra's assessment of published industry statistics indicates that global trade in **dairy** ingredients has grown more than 7% per annum since the financial crisis in 2008/09, reaching 13.9 **million** Mt in 2013. Growth slowed to 2.8% in 2013 impacted by supply issues, including the drought in New Zealand.

Overall annual growth in the major Southern Hemisphere exporting countries of Argentina, Australia, New Zealand and Uruguay was 3.8% lower overall than the previous year. In the Northern Hemisphere **milk** production for the EU countries in aggregate was up just 0.7% in 2013.

Imports of **dairy** products into **China** were up 36% in 2013, with a decline in **China's** **milk** production of 5.7% over the same period. Rabobank estimates a consumption gal in **China** of almost 10 **billion** litres.

Russian production has been down 5/6% year on year for two consecutive years with the void being filled by imports, predominantly **cheese** and **milk** fats, up 7.4% in 2013. **Milk** quota removal in the EU in July 2015 will allow European **dairy** farmers to expand production without the requirement to **purchase milk** quota rights for the first time in 30 years.

Fonterra said the GDT prices on April 1 were 8.9% lower than the last event on March 18.

The total global dairy trade was up and production was down.

Market Cap \$613m.

FSF down 14 cents to \$5.75

*TCL/Others: ACCC not to oppose **acquisition** of Qld Motorways **Group**

The Australian Competition and Consumer Commission will not oppose the proposed **acquisition** by the Transurban Consortium including Transurban **Group** of the toll road and associated assets of Queensland Motorways **Group**. Transurban will be the entity responsible for operating the QM **Group** tollroad assets. The consortium includes AustralianSuper Pty Ltd, Tawreed Investments Ltd, Transurban Holdings Ltd, Transurban International Ltd and Transurban Infrastructure Management Ltd. ACCC Chairman Rod Sims said in the report the ACCC concluded the **acquisition** of QM **Group's** tollroad **operations** in Queensland would be unlikely to substantially lessen competition.

Market Cap \$10.9b.

TCL up 5 cents to \$7.31

*XRO: Revenue for yr to March 31 up 83%, 2nd half loss in line with 1st half

Xero Ltd announced operating revenue of \$NZ70.1 **million** for the year ended March 31 2014, up 83% up from last year's \$NZ38.4 **million** number.

With monthly committed subscriptions growing to \$NZ7.8 **million** the recurring revenue model means that Xero commences its 2015 financial year strongly with \$NZ93 **million** in annualised subscriptions, up 81% on the \$NZ51.5 **million** reported for the same time last year. The net loss after tax for the second half of the year ending March 31 2014 is expected to be similar to that reported for the first half, resulting in a full year loss of approximately \$NZ35 **million** vs \$NZ14.4 **million** last year. Xero has expanded its team to 758 employees, adding 376 employees in the 2014 financial year, and has \$NZ210 **million** of cash to fund its growth.

The strong NZ dollar adversely impacts reported operating revenue given that 66% of revenue is denominated in foreign currencies. On a constant currency basis Xero grew operating revenue by 92% in the period.

Xero now has 284,000 paying customers - 102,000 in NZ, 109,000 in Australia, 47,000 in the UK, 18,000 in North America and 8,000 in the rest of the world, up from 157,000 a year ago with subscription revenue up 84%.

Market Cap \$4.5b.

XRO up 80 cents to \$35.30

MID TO SMALL INDUSTRIALS

*APZ: **Sale** of Septimus Roe office bldg, Perth for \$91 mln

Aspen **Group** Ltd announced it has entered into an unconditional contract for the **sale** of the Septimus Roe Office Building in Perth. Settlement is expected to occur on or before June 25.

The **sale** price is \$91 **million** which is in line with net carrying value as at December 31 2013 since provisions for capital expenditure at the **property** will no longer be required. CEO Clem Salwin said following the **sale** of the **group's** interest in the ATO Adelaide, Septimus Roe is the next largest asset in the portfolio.

Proceeds will be used for debt reduction and also capital management initiatives as well as potential reinvestment in its new focus on the "value for money" sector.

Market Cap \$155m.

APZ up 5 cents to \$1.29

*BNE: To conduct human clinical trial on its oral osteoporosis treatment

Bone Medical Ltd announced it has entered into an agreement with Q-Pharm Pty Ltd to conduct a human clinical study to compare Bone Medical's potential oral treatment for osteoporosis against a commercially available injectable osteoporosis treatment.

CaPTHymone (PTH) is an orally delivered parathyroid hormone formulation for the treatment of osteoporosis currently being developed by Bone Medical. PTH is a naturally occurring hormone that plays an important role in regulating bone formation.

Forteo is an injectable PTH formulation approved and on the market for the treatment of osteoporosis. Forteo reported sales in excess of \$US1.2 **billion** in 2013.

The trial is expected to begin at Q-Pharm's clinical trial **site** in early May 2014 subject to review and approval by the **site's** review committee and to take approximately three months to complete.

Market Cap \$6.44m.

BNE up 0.5 to 2.5 cents

*HIL: Acquires Questek, expanding health solutions division

Hills Ltd announced a further boost to its health solutions **operations** with the **acquisition** of another Australian **business**, Questek. The **acquisition** of Questek, a successful Australian **business** that provides integrated healthcare solutions builds on Hills expanding health solutions division including Merion Health Communications and Hospital Television Rentals (HTR) businesses, both acquired late last year. The Questek **business**, established 20 years ago and now with a presence in all Australian states is

a leader in the design and manufacture of innovative nurse call systems and general healthcare monitoring systems. It has recently emerged with a substantial position in the widening market for patient infotainment systems. It is already installed in some 600 aged care facilities throughout Australia and more than 50 hospitals, in addition to Merlon's 225 sites and HTR's 80 sites.

Market Cap \$431m.

HIL up 13 cents to \$1.83

*MYE: Anglo **Coal** Moranbah replacement umbrella contract extended 2 yrs

Mastermyne **Group** Ltd announced it has been awarded the Anglo **Coal** Moranbah region umbrella contract. The contract is for three years with options to extend annually for an additional two years. The contract will replace the existing umbrella contract at Moranbah North Mine which will expire on April 6. Anglo American opted not to trigger the one year option but instead replace the contract with this new contract for a further 3+1+1 years.

Market Cap \$44m.

MYE up 2.5 to 58 cents

*RGS: Hennessy Research to **m**/fr RGS' cancer treatment Kvax in US Regenerative medicine **company** Regeneus announced it has partnered with US specialist veterinary vaccine manufacturer Hennessy Research, for the production of Regeneus' new autologous canine cancer immunotherapy Kvax. This follows the announcement in November 2013 that Regeneus received the green light from the US Center for Veterinary Biologics to commercialise the canine cancer immunotherapy in the US.

Kansas City based Hennessy Research specialises in the manufacture of vaccines for animals and will produce Kvax for the upcoming marketing trials in the US.

Hennessy founder and CEO Kristine Hennessy said as quoted in the report, "This is a new type of cancer treatment that has a significant **commercial** opportunity. Our **company** is excited about being involved in the rollout of the technology in the US veterinary market".

Regeneus said according to the US National Canine Cancer Foundation, cancer accounts for almost half of the deaths of pets over 10 years of age, roughly the same as humans.

Our Week's Special dated September 27 2013. RGS was trading at 28c.

Market Cap \$61m.

RGS up 0.5 to 44.5 cents

*TGA: COO apptd MD to succeed John Hughes, who will return as non exec

Thorn **Group** Ltd advised it has appointed James Marshall as the new managing director replacing John Hughes, who will retire at the end of June and enter a 12 month consulting agreement with the intention that he will rejoin the **board** as a non executive director in 2015.

Chairman David Carter said the decision was made after an extensive search by recruitment **firm** Korn Ferry.

James was most recently TGA's COO and prior to that GM of Radio Rentals/Rentlo.

Thorn will announce full year results for the year to March 31 2014 on May 20.

Our Week's Special on TGA on Jan 23 2009, was trading as RRA, at 45c.

Market Cap \$314m.

TGA up 3 cents to \$2.10

MID TO SMALL RESOURCES

*CAZ/VEC: Anglo American Exploration withdraws from Earahedy j/v

Cazaly Resources Ltd and Vector Resources Ltd have been informed by Anglo American Exploration (Australia) Pty Ltd that they have withdrawn from the Earahedy j/v (Anglo American was farming in for 75%).

Anglo American is responsible for all rehabilitation required. (Apr 3).

Market Cap \$9.8m. / \$8.8m

CAZ steady at 7.5 cents / VEC up 0.8 to 2.9 cents

*CTM/AGO/Other: 5 mln placement at 12.5c for Jambreiro Project, Brazil

Centaurus Metals Ltd announced it has raised \$5 **million** to advance its Brazilian **iron ore** projects via a share placement at 12.5c per share, underpinned by major shareholders Atlas **Iron** Ltd and Liberty Metals 7 **Mining** Holdings, LLC.

Funds raised will be used for early stage development works and procurement activities associated with the key components of the Jambreiro Project.

Market Cap \$25.4m / \$893m.

CTM down 0.5 to 13 cents / AGO up 1.5 to 97.5 cents

*DRK: Non ren 1 for 3 issue at 2.5c with free attaching options on 1 for 3 basis

Drake Resources Ltd announced a non renounceable non underwritten entitlement issue on a 1 for 3 basis at 2.5c per share with free attaching options on a 1 for 3 basis with an exercise price of 5c and an expiry date of August 1 2015.

The offer will raise up to approximately \$1.3 **million** and will result in the additional issue of 52 **million** shares and 17.34 **million** options. Proceeds will be used to further explore and investigate Drake's assets across the Nordic region.

Market Cap \$4.4m.

DRK up 0.2 to 2.8 cents

*IEC: Record sales for quarter from Tancoal and Malcoal **operations** in E Africa

Intra **Energy** Corporation Ltd announced record sales from the Tancoal and Malcoal **operations** in Eastern Africa. Intra **Energy** sold 61,406 tonnes, a 96% increase over the preceding year. Over the past year, Intra **Energy** has been increasing the number of long term **coal** supply contracts as it is seeking to become the major supplier of **coal** to industries in Eastern Africa. In particular, Kenya is emerging as a growing industrial market. Logistics providers have been increased and transitioned from Cost & Freight contracts to Free on Transport contracts, giving improved efficiency.

*IEC: Tanzania cancels some licences (unrelated to **mining operations**) to appeal

Intra **Energy** Ltd announced its subsidiary **company** Tanzacoal East Africa **Mining** Ltd which holds a special **mining** licence (SML) and three exploration licences in the Songwe-Kabulo Coalfield has received notice from the Minister of **Energy** and Minerals that the special Licence 235/2005 has been cancelled without consultation.

The Tanzacoal SML is unrelated to the Tancoal **mining** operation.

The **company** believes the cancellation has been made in error and is making every effort to have the decision reversed. Failing this, legal action will be taken.

Market Cap \$13.4m

IEC down 1.9 to 4.6 cents

*NVI: Sells 3 used Nordberg rod mills for \$US850,000, vs zero value at book

Nevada **Iron** Ltd announced following an extended sales program it has today completed the **sale** of three used Nordberg rod mills that are excess to requirements, for a total consideration of \$US850,000. The mills were **purchased** by previous management in October 2011 and have remained in storage in Arizona since then.

As at June 30 the carrying value of the mills was written down to zero.

Market Cap \$25m.

NVI up 3 to 75 cents

*SBM: **Gold Ridge operations** in Solomon Mines disrupted by heavy rain

St Barbara Ltd advised **Gold Ridge operations** in the Solomon Islands has experienced over 500 mm of rain since April 2 due to a nearby slow moving tropical low pressure system. This represents the average monthly rainfall being received within 36 hours. The Solomon Islands Meteorological Service issued a Heavy Rain Warning at 5pm local time on April 3. Rain is continuing to fall and is expected to continue for the next several days. The open pit mines were closed at 3a.m. local time to ensure the safety of personnel and equipment. A section of the haul road has been temporarily damaged by flooding. The access road to the mine has been closed due to flooding. The processing plant continued to process existing stockpiles until 4pm local time. (Apr 3).

Market Cap \$137m.

SBM steady at 28 cents

*WHN: Approval of 75% farmout of offshore Seychelles petroleum in train

WHL **Energy** Ltd announced it has received notice that regulatory approvals will be granted for the previously reported farm out agreement with Ophir **Energy** Plc,

farming in to earn a 75% interest in WHL **Energy**'s offshore Seychelles petroleum exploration project area.

Under the terms of the farmout agreement, final approval was required from the government of the Seychelles and its regulatory representative PetroSeycheles for the farmout and an amended and restated Petroleum Agreement. The regulatory approval for the farm in will be granted, with an extension to the current Petroleum Agreement to April 30 2014 to allow all necessary documentation to be executed and completed, allowing the new approval to be formalised.

Market Cap \$17m

WHN up 0.1 to 1.1 cents

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