

HD Rio Tinto's Aluminum Strategy in Focus -- Market Talk
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2257 GMT [DOW JONES] Analysts and investors later this month will tour Rio Tinto's (RIO) North American **operations**, and J.P. Morgan says it will be keen to gain some insight into the strategy of the **mining company's** new aluminum boss, Alfredo Barrios. The market also is keen for an update on production cuts and the **sale** of non-core assets, given optimism in the aluminum sector is improving and Rio Tinto's strategy is to lift the profitability of the division, J.P. Morgan's analysts say. At the same time, they say they hope to get a better handle on the grade profile at the Kennecott **copper** operation following a landslide more than a year ago at the Bingham Canyon open-pit mine. J.P. Morgan recommends RIO at overweight with a A\$81/share target. The shares ended Thursday at A\$59.24. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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22:58 GMT [Dow Jones] The S&P 500 has 10%-17% upside potential amid low volatility in the coming months according to Citi. "We will likely see a 'pop' (in volatility) in the months ahead, if as we expect, data improves, inflation continues to rise and yields start to go higher again," Citi Technical Analyst Tom Fitzpatrick says. "However overall volatility does not look likely to see a breakout surge like we saw in 2008 but rather a 'normalization' within a range of around 9%-17% (maybe a little higher). We believe this will be coming from better news overall and therefore the reaction will not be a big 'risk off' dynamic. Ahead of that a move higher in the S&P 500 above 2,000 (2,150-2,300) is likely in the coming months." S&P 500 rose 0.1% to 1959.48 overnight, hitting a record high of 1959.87. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2250 GMT [Dow Jones] New Zealand lamb prices continue its gradual ascent, with the ASB Lamb Price index up 4.1% over the last four weeks and now sits 20.1% higher than a year ago, says ASB in a note. ASB adds that the increases are due to U.K. and European appetite for lamb returning, **Chinese** demand continuing to grow at a rapid pace, New Zealand supply remaining subdued and the Australian sheep sector further downsizing; "All up, we see these factors continuing to play out over the new season, resulting in further lamb price increases. Moreover, in the case of growing **Chinese** demand and the downsizing of the Australian sheep sector, these factors will help to underpin prices this season and beyond." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

22:51 GMT [Dow Jones] TV revenue guidance from Ten Network (TEN.AU) highlights the risk to consensus expectations for the broadcaster's FY15 Ebitda, says J.P. Morgan, which is roughly 70% below the consensus forecast. It remains underweight TEN due to a lag between the **company's** investment in content and any revenue recovery, its lack of premium sports rights and lack of evidence of a material recovery in ratings. TEN has guided for a 3.5%-4.5% decline in TV revenue in FY14. J.P. Morgan says it prefers Seven West Media (SWM.AU). TEN shares last traded at A\$0.27. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

22:46 GMT [Dow Jones] Credit Suisse upgrades McMillan Shakespeare (MMS.AU) to Outperform from Neutral on valuation grounds, but cuts its target price 12% to A\$10.75 after increasing its discount for regulatory risk. "MMS stock has fallen about 17% in the last month, reflecting a combination of concern over the CEO resignation, uncertainty over earnings and regulatory risk," the broker says. "Despite this, we believe regulatory risk is relatively 'low-cycle', due to better informed stakeholders, low likelihood of removing demand-side vehicle industry stimulus and numerous other, larger budgetary challenges." MMS last A\$9.42. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

22:39 GMT [Dow Jones] GDF Suez (GSZ.FR) and Santos's (STO.AU) decision to shelve an Australian floating LNG project, while not entirely surprising, still has negative implications for the cost structure of the emerging technology, says J.P. Morgan. "It implies that floating LNG might not be a cure-all wonder elixir for the plague of capex cost escalation in the Australian LNG industry," analyst Benjamin Wilson says. The decision has implications for Woodside (WPL.AU), which intends to use floating LNG to develop its Browse resource. The broker estimates build costs for Browse at US\$37 billion, valuing it at about A\$6.85/share. "A significantly higher cost estimate would reduce this value materially," Mr. Wilson says. Shell is currently building the world's first floating LNG vessel to develop gas from the Prelude field from 2016. (Ross.Kelly@wsj.com)

18:33 EDT - JB Hi-Fi (JBH.AU) banished the winter blues afflicting other Australian retailers by reiterating expectations for full-year profit of up to A\$129M. But it wasn't all good news. JB Hi-Fi's forecast of 5.3% sales growth in FY14 is below its previous guidance of at least 6%, implying it's also suffering from the broad pullback in consumer spending following the federal government's budget that mixed spending cuts with tax rises. But JPMorgan says it still thinks "JB Hi-Fi is well positioned compared to other mid-cap discretionary retailers with no exposure to weather risk, improving industry trends such as TV replacement, and lower impact from falling AUD/USD." Broker lifts its price target marginally to A\$21.64. JBH last traded at A\$18.97. (david.winning@wsj.com; @dwinningWSJ)

18:29 EDT - Amazon.com (AMZN) yesterday unveiled its Fire phone, which includes software that makes it easier for the ecommerce giant to poach customers from brick-and-mortar rivals. The feature, called Firefly, allows consumers to take a picture of a product in a store from their smartphone and then generates a link to that product featured on AMZN's website. Firefly can recognize 70M products, including household items, books and video games. Analysts say such software could make it easier for consumers to purchase items they find in physical stores more quickly from AMZN--a practice known as showrooming. "It's showrooming on steroids, absolutely," says John Jackson, an IDC analyst who covers mobile technology. (clint.boulton@wsj.com)

18:26 EDT - JP Morgan reiterates its Overweight rating on Asciano, saying it's on track to deliver higher earnings and dividends. "In our view, AIO has undertaken the right strategy of replacing outdated and inefficient equipment and automating the business and will be nicely placed to leverage from any improvement in economic activity," the broker says. Target price rises to A\$6.14 from A\$6.00 after Thursday's trading update and job cuts. AIO last A\$5.55. (david.rogers@wsj.com; @DavidRogersWSJ)

18:20 EDT - The New Zealand 2014 wine vintage "is a cracker" with not only the volumes of grapes up 30% but also grape quality looking equally high, says ASB. "The larger 2014 harvest combined with its high quality sets the industry up well for export growth over the year." It adds that economies of key markets such as the US and the UK are improving, "which should help boost demand for NZ wine," while at the same time emerging markets such as China represent longer-term opportunities for New Zealand wine exports." (lucy.craymer@wsj.com; @lucy_craymer)

18:17 EDT - Iraqi oil production has not been affected by the Sunni insurgency in the country, but prices have soared to \$115/barrel on fear alone in the past week. "If ever there were an experiment on defining a risk premium, this is it," says Ed Morse of Citi at a panel in New York. Long-term buyers such as airlines and utilities rushed to lock in prices last week, he says, and now prices are being driven by shorter-term traders and hedge funds. (nicole.friedman@wsj.com; @NicoleFriedman)

18:16 EDT - Red Hat (RHT) on Wednesday acquired eNovance to help speed up testing and launching of cloud software systems. The deal, for which RHT is paying 70M euros (\$95M), hinges on the companies' collaboration on OpenStack, an open source approach to building cloud systems. RHT's OpenStack software enables businesses to manage servers, storage and networking devices as if they were a single resource. ENovance sells automation tools and integration services that let developers deliver rapid iterations of code for OpenStack systems. RHT and eNovance are chasing pieces of a potentially large pie: business sales related to OpenStack will exceed \$1B by 2015, according to the 451 Research. (clint.boulton@wsj.com)

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