

HD MARKET CLOSES MILDLY LOWER AS EXPECTED

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The S&P/ASX200 closed down 12 points to 5312.4, led down by the miners, on light volume worth \$2.9 **billion**. there were 494 issues higher and 470 down. The SPI Futures closed down 3 points to 5290 on light volume of 10,562 contracts. Aussie 10 year bond yields were steady at 4.32%. The \$A is at The \$A is at 89.03US c, up over 20 points from last evening.

*The banks added 2.1 positive points to the index, resources contributed 11.7 negative points, property trusts contributed 1.1 negative points, retailers contributed 0.7 positive points, Telstra was Neutral.

Over the week our market fell 37.7 points or 0.7% to 5312.4, rising only one day - yesterday - in the New Year, but very light volume means not too much can be read into its performance.

*At 4pm AEST the Nikkei Dow futures was down 60 points to 15,850 points, Shanghai CSI physical was down 10.01 points to 2017.61, Hang Seng futures was up 82 points to 22,869 points, S&P future was up 1.7 points to 1835, Nasdaq futures was up 5 points to 3553 and Dow futures was up 16 points to 16,407.

Gold futures were up \$3.10 to \$1232.50. Crude futures were up 68c to \$92.34.

***China**'s exports rose 4.3% in December from a year earlier, the General Administration of Customs reported vs 5% growth expected.

Imports rose 8.3%, leaving a narrower than projected trade surplus of \$25.64 **billion** - the rise in imports should be an encouragement for Australia.

(More detail in Reuters report below).

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Our market has weakened as evidence that **China**'s economy is slowing piles up, with a glut of metals particularly given massive expansion by the **iron ore** miners, likely to **lead** to sharply lower prices - although today's strong import number for **China** should give encouragement.

Stocks - of all sizes - with strong overseas income in Europe, the UK, NZ and the US remain attractive, given their strong recovery and the weaker \$A.

"Support at 5300, resistance at 5330 then at 5345, down 10 points on the day"

Ben Faulkner, a senior adviser at Morgans said, "The S&P500's uptrend is still in tact, just consolidating this week pending the reporting season. 1840 seems to be a bit of resistance, it has struggled to push through 1840 this week with fairly strong support at 1825.

"The Shanghai market is still pretty weak. It is in short term down trend. The critical 2000 level has managed to hold, worth keeping an eye on.

"Gold is consolidating in a short range.

"The XJO performance has been pretty weak against the US markets this week. There seems to be plenty of selling pressure at the 5350 level where it ran into profit taking.

"Yesterday it closed on its high after four down days in a row. 5350 remains resistance on the daily chart for this week. Yesterday it tested the 5300 level where there seems to be very strong support.

"Our market is range bound, looking for direction and is still threatening to break lower. It needs to hold the 5300 level. If it doesn't hold, we will test 5250 and 5200 quite quickly.

"For the day I expect support at 5300 if tested to hold. Resistance is at 5330 and then at 5345.

"I'll call it down 10 points on the day following a surprising late rally yesterday - it may give some of that back".

The S&P/ASX200 closed up 8.4 points to 5324.4 last evening.

THE WEEK AHEAD

Jan 13: Ex div: CUP ex 3c. Japan current a/c. US Treasury budget. German wholesale price ind.

Jan 14: US Retail sales, exp/imp prices, biz inv. UK CPI, output/input prices.

Jan 15: Aussie m/v sales. Ex div: EZL ex 1.8c. Japan m/ce orders. US MBA Mort Ind, PPI, Emp manufac, Crude inv, Beige Book.

Jan 16: RIO qtr. Ex div: TWR ex div. US jobless, CPI. Phil Fed, NAHB Hous Mkt Ind.

Jan 17: STO qtr. US Hous starts, bldg permits, IP, Cap Ute, Mich Sent, Job Openings. German CPI, Euro CPI final. UK RICS house price balance.

(US stockmarket closed on Jan 20 for Martin Luther King day)

TOP STOCKS

*Fletcher Building rose 17c to \$8.19, Xero FPO NZ (bookkeeping software) rose 29c to \$36.35 on 45,064 shares.

*James Hardie rose 39c to \$13.13 on 717,762 shares. Dick Smith was up 7c to \$2.39 on 1.1m shares.

*JB Hi Fi was up 79c to \$22.28 on 492,723 shares.

Among the financials, AMP closed steady at \$4.43 on 2.9m shares, ANZ fell 3c to \$31.56 on 2.6m shares, CBA fell 38c to \$77.60 on 1.4m shares, NAB rose 12c to \$34.57 on 2.12m shares, Westpac rose 28c to \$32.22 on 3.4m shares.

Among the TMT's Telstra closed steady at \$5.26 on 12.16m shares, Telecom NZ rose 1c to \$2.15 on 918,902 shares, SingTel rose 1c to \$3.16 on 261,790 shares.

Among the resources BHP closed down 53c to \$36.44 on 1.75m shares, RIO closed down \$1.65 to \$63.65 on 2.2m shares. Fortescue fell 16c to \$5.20 on 19.9m shares, AWC fell 2.5c to \$1.11.5 on 10.5m shares, Atlas shed 6.5c to 97c on 27.3m shares, BCI was down 10c to \$4.71 on 844,851 shares. ERA rose 3.5c to \$1.28 on 165,877 shares. OZL rose 4c to \$2.44 on 2.6m shares.

Among the oils, Woodside fell 10c to \$37.90 on 1m shares. Santos closed down 13c to \$14.37 on 1.58m shares, Oil Search fell 2c to \$8.13 on 2.2m shares. AWE rose 1c to \$1.31 on 2.13m shares.

Among the golds, Newcrest fell 9c to \$8.36 on 2.6m shares, Oceana rose .5c to \$1.64 on 355,633 shares, Medusa was up 1c to \$2.20 on 835,445 shares, Resolute rose 1c to 58c on 1.18m shares, Silver Lake was down 1c to 57.5c on 2.5m shares.

WINNERS AND LOSERS AMONG THE TOP 20 OVER THE WEEK

QBE led the gainers, up 38c or 3.3% to \$12.06 followed by Suncorp, up 15c or 1.1% to \$13.22 and Woolworths, up 36c or 1.1% to \$34.36.

Fortescue weakened furthest, shedding 62c or 10.7% to \$5.20 followed by RIO, down 471c or 6.9% to \$63.65 and BHP, down 133c or 3.5% to \$36.44.

AT THE SMALLER END

*Rox Resources closed up 1.3c to 4.6c on 81.4m shares on the report below.

*Coalspur rose 3.5c to 28c on 1.17m shares.

*RumJungle rose 2c to 16.5c on 2.2m shares after reporting its quarterly activities today.

*Neon **Energy** fell 21.5c to 7c on 196.6 **million** shares on news that the third well at Cua-Lo will also be plugged and abandoned, below.

NEWS OF THE DAY

*Canaccord Genuity analyst Warwick Grigor's "Outlook for Commodities" posted separately.

CHINA'S IMPORT/EXPORT COMMENTARY:

Reuters reports **China's** export growth slowed more than expected in December due to a higher comparison base a year earlier and a clamp-down on speculative activities disguised as export deals, missing the official target on foreign trade.

But the outlook for 2014 is expected to be brighter as global demand picks up, giving more wiggle room for **Chinese** leaders to push through reforms to balance the world's second-largest economy.

"Exports weakened dramatically, but were close to the consensus. The data is positive for **China** and Asia sentiment as it alleviates concerns that **China** is slowing too sharply," said Dariusz Kowalczyk, a senior economist and strategist for Credit Agricole CIB in **Hong Kong**.

Exports rose 4.3 percent in December from a year earlier, the Customs Administration said on Friday, slowing from 12.7 percent in November and compared to market expectations of 4.9 percent.

Imports rose 8.3 percent, quickening from 5.3 percent in November and overshooting the same rate expected by the market, raising optimism that domestic demand may remain **firm** despite signs that the world's second-largest economy is losing steam.

The December trade surplus fell 24.3 percent from a year earlier to \$25.6 **billion**, missing the forecast of \$31.2 **billion**.

Exports to the United States rose 3 percent in December from a year earlier, while sales to the European Union rose 3.9 percent and those to Japan climbed 5.5 percent, according to official figures.

For 2013, exports rose 7.9 percent and imports rose 7.3 percent, producing a trade surplus of \$259.8 **billion**, up 12.4 percent from 2012.

China's combined exports and imports rose 7.6 percent in 2013, below the official target of 8 percent. In 2012, **China** missed a 10 percent annual growth target. The government does not set any target on exports.

Uncertain global demand, a stronger yuan currency and rising labour costs have taken their toll on **Chinese** exporters, but analysts believe sales could pick up modestly in 2014 due to improved demand from the United States and Europe.

"The biggest surprise is December imports. This suggests **China's** domestic demand is continuing to improve," said Sun Junwei, **China** economist at HSBC in Beijing.

"We expect exports to show further recovery in 2014, but the magnitude would be small and at around 10 percent. Imports could be supported by steady domestic demand and are likely to grow around 8 percent this year."

Li Jian, head of foreign trade research of the **Chinese** Academy of International Trade and Economic Cooperation - the Commerce Ministry's think tank, has also predicted 2014 export growth of around 10 percent.

The government is due to issue fourth-quarter gross domestic product data on January 20. A Reuters poll showed annual GDP growth could slow to 7.6 percent in the fourth quarter, putting 2013 growth on track for the weakest showing in 14 years.

*Lack of volume currently reduces criteria for Darvas system reports - very reduced numbers of stocks also being thrown up by system.

*Week's Specials to resume next week.

LARGE CAP INDUSTRIALS

*CPA/DXS/Other: DEXUS Property Group Ltd announced DEXUS Funds Management Ltd and Canada Pension Plan Investment Board have lodged a change of interest of substantial holder notice in relation to their holding in Commonwealth Property Office Fund.

DXS had 25.2% has 25.19% of CPA, CPPIB has 14.93% since it is not an associate of CBA.

Market Cap \$2.89b. / \$4.77b.

CPA steady at \$1.23 / DXS down 0.5 to \$1.03

*FOX/NWS: FOX to drop its Australian listing, News to remain listed

Twenty-First Century Fox Inc reported following its release earlier in the day, the ASX has provided in-principle advice that ASX would be likely to remove the **company** from the official list on a date to be decided by the ASX subject to compliance with various conditions set out in the ASX report.

News Ltd will retain its Australian listing. (Jan 9)

Market Cap \$7.5b

FOX down \$1.77 to \$36.31

*IRE: OFT review of IRESS' Avelo **purchase** concludes Feb 18/biz as usual

IRESS advised the UK Office of Fair Trading continues its review of IRESS' **acquisition** of Avelo FS Holdings Ltd. The OFT's target date for completion of this review is February 18.

As part of the OFT review process IRESS has overnight agreed undertakings regarding the conduct of its UK businesses (Avelo and IRESS) which allows for their operation on a 'business as usual' basis in the interim.

Market Cap \$1.5b.

IRE up 3 cents to \$9.42

LARGE CAP RESOURCES

*AAI/AWC: 4qtr u/lying income \$US40 mln for qtr or 4Usc per share

Alcoa last night reported a 4th quarter net loss of \$US2.3 **billion** or \$US2.19 per share including an impairment of \$US1.7 **billion** related to primary metals.

Excluding the negative impact of special items Alcoa reported net income of \$US40 **million** or 4c per share in the 4th quarter.

On 4th quarter revenue worth \$US5.6 **billion**.

Free cash flow in the 4th quarter was \$US498 **million**.

Alcoa maintained its strong liquidity position, ending the quarter with \$US1.4 **billion** in cash.

For the full year ended December 31 2013 Alcoa reported a net loss of \$US2.3 **billion** or \$US2.14 per share vs net income of \$US191 **million** or 18USc per share for the previous year.

Excluding the impact of special items, 2013 net income was \$US357 **million** or 33USc per share, up 36% from 24USc per share the previous year.

Revenue in 2013 was \$US23 **billion** vs \$US23.7 **billion** in 2012.

The **company** reduced total debt from \$US8.8 **billion** in 2012 to \$US8.3 **billion** in 2013 with net debt of \$US6.9 **billion**, the lowest since December 2006.

Outlook

Alcoa was bullish on the aluminium price for the year ahead.

*AAI/AWC: \$US223 mln SEC settlement of bribery charge in 4 yrly instalments

Alcoa International reported Alcoa World **Alumina** LLC, a j/v between Alcoa Inc and **Alumina** Ltd (60/40%), reached settlement with the US Department of Justice and the US SEC regarding certain legacy **alumina** contracts with Aluminium Bahrain BSC.

AWA will pay a total of \$US223 **million** including a fine of \$US209 **million** payable in four equal instalments over four years.

The first instalment of \$US41.8 **million** plus a one off administrative forfeiture of \$US14 **million** will be paid in the first quarter of 2014 and the remaining instalments of \$US41.8 **million** each will be paid in the first quarters of 2015 to 2018.

The \$US223 **million** amount is within the range previously disclosed by Alcoa. AWA pleaded guilty to one count of violating the anti bribery provisions of the foreign Corrupt Practices Act.

Alcoa also settled civil charges filed by the SEC, agreeing to a settlement amount of \$US175 **million** but will be given a credit for the \$US14 **million** one time forfeiture payment, resulting in a total cash payment to the SEC of \$US161 **million** payable in five equal instalments over four years.

The first instalment to the SEC of \$US32.2 **million** to be paid in the first quarter of 2014.

Market Cap \$9.53b. / \$3.13b.

AAI untraded last at \$11.01 / AWC down 2.5 cents to \$1.115

MID TO SMALL INDUSTRIALS

*ACG: First half sales to be sharply lower due to delay in finalising contracts

AtCor Medical Holdings Ltd, the developer and marketer of the SphygmoCor system that non invasively measures central aortic blood pressures and arterial stiffness said it expects to report first half sales in the range of \$2.6/2.7 **million** approximately 50% below the previous corresponding period, and a loss of around \$1 **million**.

It expects to report positive cash flows of approximately \$1.1 **million** for the half year and cash of \$4.1 **million** at December 31 2013.

AtCor expects positive cash flow for the full year.

A delay in finalising pharmaceutical contracts, currently AtCor Medical's largest market contributing 60/705 of sales, is the reason for the fall in profit. (Jan 9)

Market Cap \$26m.

ACG down 0.5 to 16.5 cents

*FGE: Trading halt ahead of material update on financial position

Forge Group Ltd asked for a trading halt pending an announcement providing a material update on the financial position of the group and its subsidiaries.

Market Cap \$108m.

FGE steady at \$1.25

*IRI: Expects profit for the half year to be sharply up on the pcg

Integrated Research Ltd advised based on internal management accounts and subject to audit review, the **company** expects profit after tax to be in the range of \$4.4 **million** to \$4.8 **million** vs \$2.8 **million** for the previous corresponding period.

The **company** benefitted from a lower Australian dollar together with higher Unified Communications and Payments revenues attributable in part to the strategic relationships with Avaya and ACI.

The **company** expects to report for the half year on February 20. (Jan 9)

Market Cap \$197m.

IRI up 11 cents to \$1.165

*PMC: PMC outperforms MSCI World Index by 7.6% over yr/looks at Bitcoins

Platinum Capital Ltd's managing director, market guru Kerr Neilson reflected on the investment fund's strong performance for the December quarter, out performing the MSCI World Index by 0.8% over the quarter and 7.6% for the year with a pre tax return of 12.9% for the quarter and 50.1% for the year - in part due to the fund's Nil ownership of \$A assets.

The fund has 38% US dollar holdings, 26% Euro and European currencies, 18% Asian currencies excluding the Yen, 10% the \$A and 5% the Japanese Yen.

Fantastic rise of Bitcoin and a host of its emulators - some 27 going by names like Litecoin, Peercoin and Namecoin

Mr Neilsen said, "It is a remarkably clever concept, seductively so for tech geeks". (Worth reading the report for his comments on Bitcoins).

Outlook

Mr Neilsen said, "We remain committed to our principal themes of a resurgence of the internet software providers, led by social media; the credit recovery of Western banks and a turning interest rate cycle for emerging market banks; capita spending opportunities related to investment in shale gas and oil; the valuation and growth case for the pharmaceutical companies and the continuing improvement in the structure and profitability of Japanese companies".

Market Cap \$401m.

PMC up 1.5 cents to \$1.74

*PSH: Receives further \$1 mln support in facility from TMPA Investment Trust

Penrice Soda Holdings Ltd announced it has agreed to terms for a \$1 million funding facility from TMPA Investment Trust, a special purpose vehicle representing a private investor.

Managing director and CEO Guy Roberts said TMPA has also provided a \$2 million funding facility via a convertible note issue.

Penrice continues to progress options to refinance the company and restructure its existing debt load, he said.

Market Cap \$3.65m.

PSH steady at 4 cents

*SXE: Rio awards \$40m Phase 1 at Cape Lambert Port B/Phase 2 in discussion

Southern Cross Electrical Engineers Ltd advised it has received a letter of award from Rio Tinto to perform Electrical and Instrumentation works at the Cape Lambert Port B project. SXE has been awarded the Phase 1 package for the Car Dumpers and Screenhouse at a value of approximately \$40 million. Work is scheduled to commence in January.

SXE and Rio are continuing discussions regarding the Phase 2 package, expected to be of similar value to Phase 1.

Market Cap \$124m.

SXE down 2 to 76.5 cents

*WCB: Saputo last and final offer, will close on January 22, no more extensions

Saputo Dairy Australia Ltd announced it has extended its offer period until January 22 and has declared the unconditional takeover offer as its LAST and FINAL offer.

The offer will now close at 7pm on January 22. Other than where required under the Corporations Act 2001 there will be no further extensions to the offer period.

Saputo Dairy Australia Pty Ltd has 21.392% of Warrnambool Cheese and Butter Factory Company Holdings Ltd as of January 9.

Market Cap \$516m.

WCB up 6 cents to \$9.21

MID TO SMALL RESOURCES

*CPL: Remaining First Nation party withdraws, Vista project to be progressed

Coalspur Mines Ltd advised the remaining First Nation party intervener Alexis Nakota Sioux Nation has reached agreement regarding the development of the Vista project, formalising the relationship between Coalspur and Alexis and providing for Alexis' community infrastructure and programs ensuring Alexis' participation in the reclamation and ongoing environmental monitoring of the Vista operation.

No interveners remain other than an individual who has been granted a conditional opportunity to make a 30 minute presentation to the Alberta **Energy** Regulator, which Coalspur is seeking to have cancelled.

Market Cap \$180m.

CPL up 3.5 to 28 cents

*HAR: Selenge **Iron Ore** project in Mongolia awarded pre-**mining** agreement

Hartanga Resources Ltd announced its 80% owned Mongolian subsidiary Haranga Khuder LLC which holds the mineral exploration license for the Selenge **Iron Ore** Project was awarded a Pre **Mining** Agreement with the Mineral Resource Authority of Mongolia.

Key terms include completion and submission of a feasibility study, a mine design and construction of a mine. The **company**'s managing director Erdene Tsengelbayar said in the report this is a fantastic result for Haranga and will allow the **company** to move towards the development of the largest JORC compliant **iron ore** resource in Mongolia.

Market Cap \$15m.

HAR untraded last at 6.2 cents

*NEN/Others: Cua Lo-1 being plugged and abandoned, development unlikely

Neon **Energy** advised testing of the Cua Lo-1 exploration well, located in Block 105-110/04 offshore Vietnam has been completed. The drill stem test was conducted over a period of five days between 2,397m and 2,435m in the 4.5Ma sandstone reservoir, chosen as it offered the greatest resource potential at this location. The presence of gas was confirmed with a peak flow rate of 400,000 scf/d through a 16/64 inch choke. Although gas flowed during the test, poor reservoir deliverability combined with high carbon dioxide content suggests development of the reservoir at this location is unlikely. Operator ENI is proceeding to plug and abandon the well. ENI 50% and operator, NEN 25%, KrisEnergy 25%.

Market Cap \$39m.

NEN down 21.5 to 7 cents

*RXL: Shallow hi grade Ni mineralisation extended at Fisher project

Rox Resources Ltd announced laboratory assays from the RC drilling program previously reported at its Fisher East nickel sulphide project, 500 km north of Kalgoorlie in Western Australia.

At Musket best results include 3m at 3.1% Ni and 13m at 1.9% Ni including 5m at 2.6% Ni.

At Cannonball best results include 2m at 2.4% Ni, 5m at 2.3% Ni and 5m at 2% Ni.

The RC 18 hole drilling program for 2,619 **m** intersected nickel sulphide mineralisation at shallow depths in two separate locations, Cannonball and Musket, along the strike of the Camelwood ultramafic unit. Each mineralised zone is over 200m in strike length indicating a southern strike continuation of the mineralisation at Camelwood where a mineral resource of 1.6Mt at 2.2% Ni has been defined. Mineralisation remains open at depth and is largely unexplored.

Market Cap \$31m.

RXL up 1.3 to 4.6 cents

*TNR/ELR: Acquiring 6 Torian's MLs in New England, Qld

Elmore Resources Ltd announced it has entered into a binding tenement contract with Torian Resources Ltd whereby Elmore has agreed to **purchase** all of Torians' rights, title and interest in six **mining** leases in the New England Region and 5 **mining** leases in Queensland. Elmore has paid a deposit of \$50,000 pursuant to the agreement and will satisfy the remainder of the **purchase** by the issue of 1.428 **million** shares to Torian to be issued within 21 days from the date of listing, being December 23.

Market Cap \$732,000. / \$3.2m.

TNR untraded last at 0.3 cents / ELR steady at 8 cents

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