

HD Gucci Names New **China** Chief to Help Turn Around Key Market -- Market Talk

WC 1,577 words

PD 24 October 2014

ET 12:41

SN Dow Jones Institutional News

SC DJDN

LA English

CY Copyright © 2014, Dow Jones & Company, Inc.

LP

0140 GMT - After posting another quarter of falling sales, Gucci names a new head of **China** to help turn around its large business in the region. Merinda Yeung will fill a post that has been vacant since January. Kering SA, Gucci's parent, hopes Ms. Yeung will be able to revive sales after a government crackdown on luxury gifts hurt the iconic brand. She is expected to attempt better distribution controls and limit the rising gray market in **China** while improving customers' experience in Gucci stores. The fashion brand's sales have been falling in the last several months both in mainland **China** and **Hong Kong**. (manuela.mesco@wsj.com)

TD

2357 GMT [Dow Jones]--Risks to Australia's housing market are nothing new for the country's prudential regulator. Deutsche Bank notes that the regulator, as it has in the past, is again gathering information, counseling more aggressive lenders, seeking assurances for the boards of Australian lenders that they are monitoring lending standards, and has undertaken a comprehensive stress test. As such, the brokerage doesn't believe the regulator is interested in introducing hard macroprudential standards or significantly increasing capital requirements to cool housing growth. "Market concerns around overly constrictive macroprudential measures are overplayed," it says. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2347 GMT [Dow Jones] J.P. Morgan thinks Fortescue Metals Group Ltd. (FMG.AU) may look to sell its interest in the **Iron** Bridge magnetite project over the long run. Last year, Taiwan's largest private **company**, Formosa Plastics Group, agreed to invest US\$1.15 **billion** for a 31% **stake** in the project and access to some of the raw material mined at the site for its Ha Tinh steel mill in Vietnam, due to become operational in 2015. "The magnetite processing operation is progressing with Formosa funding the project," says analyst Lyndon Fagan, but "the key issue for the 1.5-**million**-ton per annum operation is that the technology has not been used before and costs are not yet proven." Consequently, the bank thinks FMG will look for the exit and focus on its core Pilbara **iron-ore operations**. J.P. Morgan has an overweight rating on the stock with a A\$4.35 target. FMG trades down 2.3% at A\$3.45. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2341 GMT [Dow Jones]--Too much uncertainty is swirling around Leighton Holdings (LEI.AU) for Deutsche Bank to take a firmer view of Australia's biggest construction **company**. Leighton had a good third quarter of its fiscal year, notably with net profit margins maintained in a range of 2.5% to 3%, which suggests the **company**'s program to cut costs and improve efficiency have delivered a sustainable improvement in profitability. Still, the broker says the outcome of the **company**'s plans to sell assets including John Holland and large underclaims remain unresolved. The broker cuts its price target by 4.5% to A\$19.96/share, retains a hold call. LEI last traded at A\$20.88. (david.winning@wsj.com; @dwinningWSJ)

2340 GMT [Dow Jones] With New Zealand's annual CPI inflation unlikely to print above 1.5% until the middle of 2015 "the RBNZ is under no pressure to signal further rate hike before then," says Harbour Asset Management Head of Fixed Interest & Economics Christian Hawkesby. He notes, however, the actions of the U.S. Federal Reserve are "a key uncertainty" regarding the actual timing of the next RBNZ move. "The earlier the U.S. Federal Reserve begins lifting the Fed Funds, the more pressure there will be for the NZ dollar to fall, helping lift tradeables and overall New Zealand inflation. So the timing of the US Fed will create an environment where it is easier for the RBNZ to continue lifting the OCR," he says. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2333 GMT [Dow Jones]--Deutsche Bank increases its price target for Australian Pharmaceutical Industries (API.AU) by 6.7% to A\$0.80/share, retains a buy call, after the **company** said same-store sales at its Priceline pharmacy chain rose by 6% in FY14. "Coupled with an expected further lift in store numbers, this suggests the group's strategic positioning in the health and beauty sector is gaining traction," Deutsche says. Sales success should attract more pharmacists, supporting the wholesaling **operations** despite the loss of customers in recent **M&A** activity, the broker adds. Deutsche ups its forecast net profit for FY15 by 4.5% to A\$34.7 **million**, citing higher retail sales and market share gains in wholesale that should offset the effect of rivals Sigma Pharmaceuticals (SIP.AU) and Ebos (EBO.NZ) purchasing two customer groups recently. API last traded at A\$0.72. (david.winning@wsj.com; @dwinningWSJ)

2325 GMT [Dow Jones]--Atlas **Iron** (AGO.AU) has failed to allay Deutsche Bank analyst Paul Young's concerns about its ability to weather falling **iron-ore** prices. Atlas's average sales price of US\$69/ton in 1Q was below Young's expectation of US\$74/ton, and the analyst thinks it has limited ability to bring costs down further. At current **iron-ore** prices and foreign-exchange rates, Atlas's net debt would increase to A\$120 **million** by end-2015. "Under the current pricing environment we remain cautious on the **company**'s ability to generate free cash flow," Young says. Deutsche retains a hold recommendation on concerns around product discounts, and cuts price target by 8.3% to A\$0.55/share. AGO last traded at A\$0.36. (david.winning@wsj.com; @dwinningWSJ)

2314 GMT [Dow Jones]--September's larger-than-expected NZ trade deficit was attributable to the inclusion of aircraft imports into the trade figures, with the broader strength of imports suggesting domestic demand remains reasonably solid, says ANZ in a note: "With more aircraft imports on the horizon, falls to commodity export prices are likely to contribute to deteriorating net trade picture, with the return to annual trade deficits in prospect." Air New Zealand imported one Boeing Dreamliner in September with another expected to arrive this month. The Dreamliner push imports of aircrafts and parts to NZ\$459 **million** vs. NZ\$27 **million** a year ago. The September trade deficit was NZ\$1.35 **billion** vs. market expectations of NZ\$675 **million**. (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

2312 GMT [Dow Jones]--If Telstra (TLS.AU) hoped its investor day would bring round skeptics to the potential for its new business streams, then it didn't quite manage it with J.P. Morgan analyst Paul Brunker. "We think that the growth avenues that Telstra has are genuine but too small to make a lot of difference for a long time at least," he says. The problem is that a relatively small shift in assumptions about the profitability of its base fixed-line and mobile products units could outweigh any upside from the new business streams. Brunker says Telstra trading at a rich valuation so retains a neutral call. TLS last traded at A\$5.50, above J.P. Morgan's revised A\$5.12/share price target. (david.winning@wsj.com; @dwinningWSJ)

2306 GMT [Dow Jones]--Commonwealth Bank of Australia (CBA.AU) says it is seeking to arrange a series of institutional investor meetings in Sydney and Melbourne late this month to discuss a potential AUD capital issue. The issue being considered would be Basel III-compliant Tier 2 capital and form part of CBA's ongoing capital management plans. Any transaction will be subject to investor feedback and prevailing market conditions. The possible size of the issue hasn't been disclosed. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2303 GMT [Dow Jones]--Apple shares continue to fly high on the strength of better-than-expected quarterly results announced earlier this week, closing at a record high Thursday. Apple shares, which also found support in a broad rally for U.S. equities, rose 1.8% to finish at \$104.83, beating its previous best of \$103.30 set on Sept. 2. The stock has gained 7.3% this week and has risen 40% over the past year. (Stephen.wisniewski@wsj.com; @wisniewski)

2254 GMT [Dow Jones]--Lonsec Stockbroking is telling advisors and investors to subscribe to the Australian government's upcoming IPO of Medibank Private, the country's largest health insurer. Lonsec estimates Medibank will deliver investors an above average return-on-**equity** of about 18%. It expects compound EPS growth of 6% a year over fiscal 2015-2017. The government launched the IPO with an indicative price range of A\$1.55-A\$2 a share. Lonsec has a FY16 valuation target of A\$2.33/share. The biggest risks it sees to the insurer's business are from any adverse change to government and regulatory policies and volatility in investment income. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

To contact the Market Talk Editors,
Kevin Kingsbury, 212 416-2354, kevin.kingsbury@wsj.com
Cynthia Lin, 212 416-4403, Cynthia.lin@wsj.com
John Shipman, 212 416-2181, john.shipman@wsj.com
Patrick Sullivan, 212 416-2326, Patrick.sullivan@wsj.com

(END) Dow Jones Newswires

October 23, 2014 21:41 ET (01:41 GMT)

CO prntmp : Kering SA | guci : Gucci Group NV

IN i64 : Retail/Wholesale | icnp : Consumer Goods | iluxgds : Luxury Goods

NS e1103 : Inflation/Prices | gfas : Fashion | namt : All Market Talk | ndjmt : Dow Jones Market Talk | neqac : Equities Asset Class News | e11 : Economic Performance/Indicators | ecat : Economic News | gcat : Political/General News | glife : Living/Lifestyle | ncat : Content Types | nfact : Factiva Filters

RE usa : United States | china : China | austr : Australia | eurz : Europe | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | namz : North America

PUB Dow Jones & Company, Inc.

AN Document DJDN000020141024eaa0001m