

**HD MARKET LIKELY TO CLOSE A TOUCH LOWER**

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The S&P/ASX200 is likely to close a touch lower today.

Markets closed lower in Europe and the UK last night. The US market closed mixed.

On the NYSE where 3244 issues traded there were 1,102 issues higher, 2,030 down and 112 unchanged. On Naasdaq where 2789 issues traded there were 760 issues higher, 1,921 down and 108 unchanged.

Metals were mixed in a narrow range, crude fell, **gold** was sharply lower. The \$A is at 93.74US c, up 1US c since last evening.

"Support is at 5500, resistance at 5525 and then at 5535... close down 5 points'

Ben Faulkner, a senior adviser with Morgans said, "There were quite big ranges on both the S&P and Dow last night - the S&P had an 18 point range, the Dow nearly 120 points. With volatility still there it could cause some sort of correction in the future.

"**Gold** continued to fall last night. It's broken the \$1300 level that previously had provided good support. The next support is now \$1280. The chart there still looks pretty bearish, but it is more than likely to see some good support at \$1280.

"The \$A/\$US saw a quite interesting move yesterday after the RBA Minutes. That chart is also quite interesting - for four consecutive days it has tested and closed below the 20 day moving average. There is not much volatility in the \$A at the moment. I would not be surprised to see it head back to 93US c and possibly break down to 92US c over the coming week. There are early signs of a short term downtrend there.

"The German market resumed its downtrend after a bit of a relief rally. It looks a bit precarious now - I would expect it to test the 9600 level.

"The S&P had quite a volatile night. Intra day it did test the 20 day moving average but found support there. It also tested the 1180 level which has proven to be resistance in the past. Resistance did not break but also support held - volatility is increasing there. We would really want to see 1967 hold for the S&P over coming days.

"Our market started strong but then got sold into. There was a lot of profit taking around the 5530 level.

"What I have noticed is the appetite for shorting banks, especially CBA has increased. It is testing a triangle formation that is forming on the CBA chart.

"Back to the XJO, 5535 seems to be a level for traders to take profits, but we still had a good close back above 5500 which is a critical level for us to hold.

"If we break it we could see 5450 pretty quickly.

"For today support is at 5500, resistance at 5525 and then at 5535.

"I will call us down 5 points. We will probably see a bit of a rally early on but it will likely get sold into".

The S&P/ASX200 closed down 0.1 to 5511.3 last evening.

July 16. Good morning.

Fed Reserve chief Janet Yellen says economy still weak, some stocks overstretched

The US Federal Reserve chair Janet Yellen in her semi-annual report to Congress reiterated the Fed's intention to keep interest rates at historic lows for awhile longer. She said prices for stocks, real estate and high grade corporate **bonds** remain in line with historic norms, but valuations in some markets, such as low rated corporate debt appear stretched.

In a prepared report she singled out social media and biotech stocks as being substantially stretched.

She added while prices of real estate, equities and corporate **bonds** have risen appreciably and valuation metrics have increased, they remain generally in line with historical norms," she said.

In terms of the US economy overall, Ms Yellen said that she saw "continuing slack" in the US jobs market and warned of long-term unemployment that remained at historic highs.

She also said that gains in the housing market had been disappointing, and that despite better-than-expected jobs growth as of late, wages remained stagnant.

Aussie stocks

All dollars in this section are Aussie dollars - the rises and falls are against the previous close.

Aussie stocks in ADR form were mixed. AWC fell 1c on 140,000 shares, Amcor rose 2c on 35,000 shares, RIO rose 42p on 2.45m shares, BHP gained 16c on 3.6m shares, News rose 15c on 1.3m shares, Westpac rose 12c on 122,000 shares.

Telstra was steady on 190,000 shares. Resmed fell 1c on 5m shares.

PSivida fell 1c on 109,000 shares. Prana fell 2c on 18.2m shares.

In London Anglo American rose 16p to 1,517.5p on 4.17m shares, Aquarius fell 0.25p to 23.5p on 3m shares, BskyB rose 2p to 887 p on 2.45m shares, BHP fell 1p to 1,992p on 5.3m shares, Henderson fell 1.68p to 243.62p on 1.4m shares, RIO rose 2.5p to 3,244.5p on 3.25m shares.

Trading points:

\*Largest lithium deal in the world signed last night

Bloomberg reports surging demand for high-performance batteries triggered the largest-ever deal for lithium, the lightweight metal that's a key component of the power systems in smartphones, electric cars and cordless screwdrivers.

Albemarle Corp. (ALB) agreed yesterday to pay \$6.2 **billion** in cash and stock for Princeton, New Jersey-based Rockwood Holdings Inc. (ROC), the biggest producer of lithium and the largest deal in lithium in the world so far.

Consumption of lithium doubled in the decade through 2012, and is growing even faster now. Albemarle expects demand to increase as much as three times faster than the global economy, with consumers demanding more mobile devices and electric vehicles becoming more common.

Changes in substantial reported July 14 and 15 to be posted very shortly.

Overseas

The DJIA closed up 5.26 point to 17,060.68.

S&P 500 closed down 3.82 points to 1,973.28.

NASDAQ fell 24.03 points to 4416.39.

US 10yr bond yields fell 2.2 points to 93.74US c.

The US\$ rose 14 points to 101.68 Yen.

The Euro closed down 50 points to 1.3568US c.

The Yuan fell 17 points to 6.2080/\$US1.

FTSE 100 fell 35.69 points to 6,710.45. European markets closed lower.

The Nikkei Dow last evening closed up 98.34 points to 15,395.16.

Shanghai SE Comp IX closed up 3.71 points to 2,070.36.

#### Commodities

All dollars in this section are US dollars

In dollars per tonne for three month metal, (LME stockpiles are on a closing basis) - valued against yesterday morning's price, measured over 24 hours.

**Copper** closed up \$10 to \$7,130/rose \$28 to \$A7606. Stockpiles fell 25 tonnes to 159,375 tonnes.

Aluminium was \$18 higher to \$1,960/gained \$24 to \$A2091. Stockpiles fell 9,100 tonnes to 4,986,175 tonnes.

Nickel fell \$25 to \$19,325/rose \$22 to \$A20,616. Stockpiles rose 612 tonnes to 308,322 tonnes.

Zinc fell \$8 to \$2,299/fell \$3 to \$A2453. Stockpiles fell 1,500 tonnes to 658,475 tonnes.

**Lead** weakened \$5 to \$2,208/was steady at \$A2355. Stockpiles were steady at 213,375 tonnes.

Tin was up \$53 to \$22,175/rose \$112 to \$A23,656. Stockpiles were steady at 11,535 tonnes.

**Iron Ore** rose 10c to \$98/gained 35c to \$A104.54.

WTI crude fell 95c to \$99.96/fell 76c to \$A106.54.

Brent Crude fell 96c to \$106.02/fell 78c to \$A113.10.

Spot **gold** fell \$14 to \$1,294/fell \$1.67 to \$A1380. Spot silver fell 23ct o \$20.69/fell 19c to \$A22.07. Spot platinum fell \$9 to \$1,481/fell \$6 to \$A1580. Spot palladium fell \$3 to \$867/fell \$1 to \$A925.

#### Overseas eco news

In US eco news, the Fed Bank of New York's general economic index rose to 25.6 in July, above estimates for a reading of 17.

\*Retail sales rose a seasonally adjusted 0.2% in Juen fro mMay, the weakest increase since January, the Commerce Department reported.

\*US business inventories rose 0.5% in May after rising 0.6% in April the Commerce Department reported vs a rise of 0.6% expected.

Business sales rose 0.4% in May after rising 0.8% in April.

\*In the Euro zone ECB president in testimony to the European Parliament yesterday said banks shouldn't count on a fresh round of ECB cahs to trade sovereign debt and reap big profits. Carry trades are going to be much less profitable, he said.

\*In Germany the ZEW index revealed German analyst and investor morale dropped in July for a 7th consecutive month to the lowest level since December 2012.

\*In the UK, the Consumer Prices Index rose to 1.9%, up from 1.5% in May, according to the Office for National Statistics. Women's clothing prices contributed heavily to the rise. Air fares and furniture prices also pushed the inflation rate up, the ONS said. The rate is now close to the Bank of England's 2% target. It has remained below the target for seven consecutive months. The pound jumped against the dollar following the inflation figures, climbing as high as \$1.7144, around three quarters of a cent higher on the day.

Inflation as measured by the Retail Prices Index (RPI), which includes housing costs, rose to 2.6%, up from 2.4% in May.

Separately, figures from the ONS showed that annual house price inflation hit 10.5% in May.

Overseas **equity** news

\*In the US of the Dow 30 there were 14 stocks higher, 1 steady and 15 down.

JPMorgan Chase reported better than expected earnings and revenue in the second quarter despite an 8% fall in profit. The stock rose \$1.98 or 3.52% to \$58.27 leading the Dow. Wal-Mart rose 29c or 0.38% to \$76.84 followed by Visa, up 75c or 0.34% to \$221.78.

Shares in chip maker Intel rose 4% briefly after the **firm** reports profits rose 45% in the second quarter to \$2.8bn, driven by stronger-than-expected PC sales to businesses. Intel closed up 22c or 0.70% to \$31.71.

Apple and IBM announced a tie-up that will see the two firms co-develop business-centric apps for the iPad and iPhone. IBM closed down \$1.37 or 0.72% to \$188.49.

Goldman Sachs reported a 5% profit rise. The stock rose \$2.17 or 1.30% to \$169.17. Johnson & Johnson topped earnings forecasts and raised its guidance. The stock fell \$2.10 or 1.99% to \$103.28.

GoPro rose on a broker's upgrade. Plug Power rose on a broker's upgrade, FuelCell rose in tandem.

Anadarko Petroleum announced it had secured at least \$6 **billion** in funding. The stock

Apollo Education fell after announcing the US Education Department planned review of federal financial aid programs at its University of Phoenix.

\*In Europe, Banco Espirito Santo fell while Portugal Telecom weakened after reports that Rioforte, a holding **company** of Portugal's Espirito Santo family is preparing to file for protection from its creditors, hours before Rioforte was due to pay over \$1 **billion** in debt to Portugal Telecom. Portugal Telecom shares fell 2.1% to Euro 1.83. Brazil's Oi fell 1.9% to 1.53 Reals in Sao Paulo. On the DAX Deutsche Bank was the leader, up 1.94% to Euro 26.55 followed by RWE and E.ON. Heidelberg Cement fell furthest, down 1.92% to Euro 59.72 followed by Commerzbank and Adidas.

\*In the UK housebuilders were among the biggest fallers after stronger than forecast inflation data for June raised the potential for a rate rise perhaps later in the year, the Financial Times reported.

Narratt Developments fell 2.2% to 360.3p, Persimmon fell 1.5% to 12.30 pounds.

Lloyds fell 0.4% to 72.87p on its mortgage book.

Kingfisher, owner of the **B&Q** home improvement chain fell 1.5% to 334.8p. Plumbing major Wolseley fell 1.6% to 31.76 pounds. Builders merchant Travis Perkins fell 0.5% to 15.82 pounds.

Grocery chain Tesco fell 0.9% to 282p, Sports Direct fell 2.6% to 794.5p.

On the US fund front

In other news

From BBC News

\* The Brics countries - Brazil, Russia, India, **China** and South Africa - agree to create a \$100bn development bank and emergency fund.

\* Iraq's parliament has elected Salim al-Jabouri as speaker, breaking weeks of political deadlock amid a jihadist-led Sunni rebellion in the north and west.

The main Sunni Arab bloc in the Council of Representatives had nominated the moderate Islamist for the position.

Despite the progress, it is not clear that politicians will be able to move speedily to the next steps of selecting a president and a prime minister.

Earlier, government forces launched an offensive to retake the city of Tikrit.

The defence ministry said troops had begun their assault at dawn against militants led by the Islamic State in Iraq and the Levant (Isis).

The initial fighting focused around the southern Shishin district of Saddam Hussein's home city, officers told the Reuters news agency.

Distressing world news:

\*In the Ukraine a military plane has bombed its own people, killing 11.

\*Israel has said it had "no choice" but to step up attacks on Gaza as peace negotiations fail.

\*In Afghanistan a market bomb has killed 89 people. Abdullah Abdullah refuses to step down.

\*A power surge on a Moscow train line derailed a train, with a death toll of 21.

\*In Libya two days of fighting between rival militias leaves the country's main international airport out of action. At least eight people have died in the clashes and 12 planes were damaged.

The airport remains in the hands of the Zintan militia which has controlled it since Muammar Gaddafi was ousted. The government has been unable to disarm the numerous armed groups that took part in the 2011 uprising and which have divided the country.

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