

HD UK Market Talk Roundup: Brokers Comments**WC** 2,931 words**PD** 16 January 2014**ET** 23:06**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

Broker comments in the UK today. Compiled by Dow Jones Newswires Markets Desk, markets.eu@dowjones.com

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1206 GMT xx-DJ The global miner saw record **iron ore** production and shipments in the quarter, reaching 275Mt on an annualised basis, suggesting the ramp up to the 290Mt capacity has progressed very well. Broker Cannacord Genuity also points to a strong **copper** output performance, especially at Bingham Canyon (Utah) and Escondida (Chile). Aluminium and thermal **coal** output also saw better than expected volumes, something that likely helped some of the cost saving performance achieved in the year, says the broker. Management may feel able to propose a larger final 2013 dividend - Cannacord suggests 99.5 cents, maintains 'buy' and present 4250p target for the shares, which are +3.3% this morning in London at 3360p. (christopher.tomkinson@wsj.com)

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1133 GMT [Dow Jones] Now might seem a dangerous time to take a punt on the **mining** sector, especially when growth in **China** is looking shakier. But that's exactly what Citigroup have done, upgrading its 12-month sector stance on European miners to "bullish" from "neutral". This is Citi's first bullish call on the sector in three years. "We'd rather be too early than too late in making this call," says Citi. Analysts argue that investor sentiment toward the sector has hit rock bottom. Furthermore, stronger European and US economies are supportive for commodities and weakening commodity currencies are providing a fillip for miners. Citi's key picks are BHP Billiton (BLT.LN), Rio Tinto (RIO.LN) and Glencore-Xstrata (GLEN.LN). The **mining** sector is the biggest gainer in Europe Thursday, with the Stoxx 600 basic resources index up 2.7%. (nina.bains@wsj.com; Twitter: @NinaBains1)

1119 GMT [Dow Jones] Ladbrokes (LAD.LN) says that 2013 operating profit will be around the middle of the current range of analysts' forecasts, which is certainly reassuring given the market was expecting it to report at the bottom of the consensus, says Deutsche Bank. The UK online betting and gaming **company** also says it remains on track to deliver against its key strategic online priorities during 1H14. Still, Numis Securities is not sure. "The deal with Playtech (PTEC.LN) may hold the key to restoring online to profitable growth, but there is little prospect of any proof of this during 1H14," says Numis Securities. Deutsche Bank rates the stock at buy with a price target of 196p. Numis' rating is hold and the target is 185p. Shares rise 2.3% to 177p Thursday. (nina.bains@wsj.com; Twitter: @NinaBains1)

1018 GMT [Dow Jones] Booker's (BOK.LN) 3Q update confirms continued delivery of growth across the important non-tobacco category, says Investec Securities. Meanwhile, on tobacco, the trend continues to be negative, with sales slipping by 1.7% LFL. The contribution from Makro again transforms the numbers, giving a total 3Q growth number of 19.1%, notes Investec. Cash and profits at Makro, which Booker acquired from Metro (MEO.XE), continue to improve while the turnaround is "running to plan". Investec says the group is running ahead of its 2H forecast growth for non-tobacco. Investec rates Booker at buy and raises the target price to 172p from 149p. Shares slump 2.1% to 156p Thursday. Still, shares have gained more than 10% over the last three months. (nina.bains@wsj.com; Twitter: @NinaBains1)

0934 GMT [Dow Jones] Investors grapple with a mixed update from Associated British Foods (ABF.LN) Thursday, which (as indicated in earlier item) highlighted disappointing results from its sugar unit (lower

worldwide prices) alongside a strong performance from apparel retailer Primark, AB Foods' key division. "The trading update is mixed, probably to a more marked extent than the market had expected," says Numis Securities. Meanwhile, Numis reckons AB Foods shares look to have run ahead "too fast and too far", noting shares have gained c.10% this year. As such, Numis says some profit taking looks warranted here. Analysts have a target price of 2,062p and cut their recommendation on the stock to 'sell' from 'hold'. The shares fall 2.9% to 2617p Thursday. (nina.bains@wsj.com; Twitter: @NinaBains1)

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0926 GMT [Dow Jones] Associated British Foods's (ABF.LN) trading at its sugar business disappoints, but this should come as no surprise after German sugar producer Suedzucker AG (SZU.XE) reported Monday that 3Q revenue and profit had been adversely impacted by its sugar segment. Still, this is what investors seem to be focusing on, rather than strong Christmas trading from its key apparel division, Primark. "This is an impressive start to the year, once again at Primark, but also with an improvement in both Australia and Ingredients [a division of AB Foods] showing through," says Panmure Gordon. "The steeper fall in profits in Sugar is disappointing, but reflects exceptionally low world sugar prices." Panmure rates the stock at 'hold' with an increased target price of 2500p (up from 2175p). The shares fall 2.3% to 2635p in London this morning. (nina.bains@wsj.com; Twitter: @NinaBains1)

0924 GMT [Dow Jones] The poor Australian unemployment data did Nordea's long AUD trade recommendations no favors. The bank took a 1.8% loss on its long AUD/NOK trade, cutting at 5.4057 from the 5.5023 entry level, and sold its 0.9030 AUD/USD long at 0.8883 for a 1.6% hit. The bank has now entered a short AUD/USD trade from 0.8782, targeting 0.8206 with a protective stop up at 0.9070. AUD/USD now at 0.8785, AUD/NOK 5.3970. gary.stride@wsj.com

0923 GMT [Dow Jones] The USD/PHP is up late on Thursday at 45.12--its highest since early September 2010--on continued portfolio rebalancing on an improving outlook in the U.S. "The growth in the U.S. is getting firmer and that's forcing investors to rebalance their portfolio. Smart money always moves to quality," a local bank trader says. The USD/PHP was at 45.00 late on Wednesday. Volume remained heavy on Thursday--albeit thinner than Wednesday. Traders expect the USD/PHP between 44.70 and 45.30. Traders expect further USD/PHP gains to be tamed by a central bank warning it is watching the market to make sure "its tendency to go ahead of itself is curbed." (cris.larano@dowjones.com)

0904 GMT [Dow Jones] It looks only a matter of time before USD/ZAR trades at 11.00 says Commerzbank analyst Antje Praefcke. Wednesday's poor Kagiso manufacturing PMI (49.9 vs 52.5 seen) was the trigger for the South African currency's latest selloff, even though it's considered as a second-tier indicator and has history of volatility. While ZAR is definitely on the back foot, Praefcke thinks investors should be careful of entering long USD/ZAR around current levels, as liquidity will thin above 11.00, ZAR would be cheap above here, and any positive surprises could see USD/ZAR subjected to a painful downside squeeze. USD/ZAR now at 10.9472 from the day's fresh high (from October 2008) of 10.9613. gary.stride@wsj.com

0902 GMT [Dow Jones] Thursday's GBP 2bn 3.25% 2044 gilt **sale** (1030 GMT) looks cheap against neighbouring issues say analysts at RBS, but is likely to stay that way ahead of the forthcoming supply and BOE threshold concerns. "This is the final tap of 2044's and the penultimate long-dated auction this fiscal year (ending April 4th). On an RV basis, the bond is cheap but is likely to stay this way, particularly ahead of the forthcoming IL68 syndication. Big picture, we like the long end from a multi-month perspective... but near-term we expect the short end to rally, and therefore see risks of further curve steepening." (nick.cawley@wsj.com)

0840 GMT [Dow Jones] 10-year US Treasuries still look vulnerable to the downside, says technical strategist Richard Adcock at UBS. He highlights that with the MACD (moving average convergence/divergence) indicator having got back to zero, prices are now selling off, and a close below 123.30 will be a sell signal down to 122.245 and then 120-305. The March Treasury contract trades at 123-305. (nick.cawley@wsj.com)

0835 GMT [Dow Jones] The USD/TWD is slightly higher, reflecting the greenback's gains against most regional currencies, say two local traders. The pair is at 30.256 versus 30.236 late Wednesday in Taipei. They say the local central bank is believed to have bought the USD around 30.090 to keep the pair in its ideal band. Most of the session's trades were done between 30.090 and 30.100. Exporter sales still cap the pair's rise around 30.100, and continued foreign fund inflows to local stocks are also weighing on the pair, they say, tipping the pair to trade in a 30.060-30.100 band on Friday amid a dearth of fresh cues. Taiwan government **bonds** rebound after Wednesday's sharp losses, with the most-traded five-year bond yield at 1.1380% vs 1.1500% late Wednesday. A trader tips a 1.1000%-1.1500% band in the near

term. Foreign investors have been net buyers of local shares for four straight sessions.
(fanny.liu@wsj.com)

0835 GMT [Dow Jones] Sterling is trading heavy Thursday and has slipped against the other majors. A UK bank trader says there are EUR/GBP offers coming in at 0.8335-40 which could slow its ascent, but he's also hearing of stop-loss orders above 0.8350. EUR/GBP now at 0.8334. gary.stride@wsj.com

0835 GMT [Dow Jones] Abenomics, Japan's vast program of monetary easing and reform, is certainly eye catching (a \$1.4 trillion asset **purchase** plan will always hold market attention), but is it really working? A big part of its success will depend on whether wages rise, and here the signals from polls are not encouraging. As UBS's Simon Penn points out, most Japanese companies don't expect to raise pay significantly, and, critically, most don't believe inflation will rise in accordance with the Abenomics plan. "That's critical, because the BoJ has been clear that it requires inflation expectations (and hence wages) to react for its policy to be successful," Mr. Penn says. david.cottle@wsj.com

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0826 GMT [Dow Jones] AUD/USD's failure to overcome its 50DMA at 0.9070 and subsequent breach of both the 0.8851 support line and 0.8822 recent low opens immediate risk to the base of its 3-year channel at 0.8711, says Commerzbank technical analyst Karen Jones. Now at a fresh 3-year low of 0.8784 she expects any rallies to be capped below 0.8855 or 0.8890. gary.stride@wsj.com

0825 GMT [Dow Jones] EUR/USD is trading at the same level it was 2 hours ago when Commerzbank took a snapshot of their order book. At that time there were more buy than sell orders from 1.3609 up to levels around 1.3640, where the order density became about equal, and would suggest that any upmove would struggle says the bank. gary.stride@wsj.com

0815 GMT [Dow Jones] The UK is scheduled to sell GBP 2 **billion** of its 3.25% 2044 gilt at 1030 GMT with dealers expecting a small amount of concession building ahead of the **sale** to weigh on early trade. Earlier RICS data showed UK house price growth remained strong, albeit a fraction lower than November's reading, while demand for property remained robust. The March gilt contract is 0.07 higher at 108.44, the 10-year yields 2.86% and the 2044s are quoted with a yield of 3.595%.
(nick.cawley@wsj.com)

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0905 GMT [Dow Jones] Believe it or not, there are some redeeming features in Aberdeen Asset Management's (ADN.LN) interim management statement, despite the steeper-than-expected miss on AuM. "The shares are mispriced and the negative reaction too severe," says RBC Capital Markets. "We continue to believe that consensus is taking an overly bearish view of Aberdeen's financial prospects and is not incorporating the diversification and operating margin upside that the SWIP transaction should deliver." Meanwhile, Aberdeen says it is going to seek to reduce operating costs and they add that they are pleased with the rising revenue margin. Meanwhile, they note the **acquisition** of Scottish Widows Investment Partnership from Lloyds Banking Group (LLOY.LN) continues to progress. Sure, management believes that further volatility in the markets and investor sentiment is likely in the coming months, but no-one said this would be an easy ride. Aberdeen shares fall 4.2% to 430p Thursday, a two-month low. (nina.bains@wsj.com; Twitter: @NinaBains1)

0846 GMT [Dow Jones] So it's not just Ashmore (ADN.LN). Shares in Aberdeen Asset Management (DN.LN) slump Thursday after the investment management group reported a steeper than expected fall in FUM during 1Q, with negative sentiment towards Asian and Emerging Markets continuing to weigh on business flows. Still, Shore Capital reckons investors should look beyond this "short-term" volatility as the current valuation offers a longer-term opportunity. Shore rates the stock at 'buy'. Goldman Sachs recently upgraded the stock to 'buy' noting that the **purchase** of Scottish Widows Investment Partnership from Lloyds Banking Group (LLOY.LN) should diversify the group's asset mix at a time when demand for one of its core propositions (emerging market equities) appears to be weakening. Aberdeen shares fall 4.1% to 430p Thursday. (nina.bains@wsj.com; Twitter: @NinaBains1)

0759 GMT [Dow Jones] UK's FTSE 100 index is called to edge higher at the open Thursday after the S&P 500 index in the US closed at a fresh record high Wednesday. Meanwhile, the FTSE 100 closed above 6800 for the first time since May last year. "These moves are characteristic of a belief in the US economic recovery and comfort with the idea that Fed tapering will continue without too much pressure elsewhere," says NAB. Earnings from US banks are also coming in well. Bank of America Corp. saw its fourth-quarter profit surge from a year earlier Wednesday. US CPI data are at 1330 GMT, as are weekly jobless claims data. In the UK, earnings from AB Foods may also garner some interest. Capital Spreads calls the FTSE 100 seven points higher at 6827.(nina.bains@wsj.com; Twitter: @NinaBains1)

0742 GMT xx-DJ Cambridge-based Industrial inkjet and printer head maker Xaar (XAR.L) turned in a cracking year for 2103, meeting broker N+1 Singer's expectations on sales, operating profit (very decent margins, 30-31%) and net cash (£53.5m as at Dec 31 2013). Capacity expansion is apparently on schedule (and on budget), and while weekend working currently remains necessary to meet customer demand, the group should regain manufacturing flexibility during H1 2014 to adjust shift patterns as the expansion programme completes. Longer-term prospects also remain extremely positive due to continued digital conversion of its existing Bulk P3 markets, opportunities to extend these markets and the development of the Thin Film P4 product. Singer's intrinsic valuation has increased to 980p, reflecting the rise in peer group multiples. Net cash nearly doubled during the year. The shares closed last night at 1079p.(christopher.tomkinson@wsj.com)

0654 GMT [Dow Jones] The drop in Ahold's (AH.AE) same-store sales in the fourth quarter in both the U.S. and the Netherlands is disappointing, says SNS Securities analyst Richard Withagen. Adds the pressure on its market share appears to have become worse during the course of the year and it doesn't look like this trend has started to reverse. Notes profitability is improving, though, due to cost savings. Rates shares at reduce with a EUR11 price target. Stock closed at EUR13.16. (robin.vandaalen@wsj.com)

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(END) Dow Jones Newswires

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