

HD MARKET EXPECTED TO CLOSE MILDLY LOWER

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The S&P/ASX200 is expected to close mildly lower today.

Markets in Europe, the UK and US closed lower on Friday.

On the NYSE where 3224 issues traded there were 1,172 issues higher, 1,940 down and 112 unchanged. On Nasdaq where 2722 issues traded there were 795 issues higher, 1,845 down and 82 unchanged.

Metals were mixed, crude fell, **gold** rose a touch. The \$A is at 87.50US c, down about 15 points from Friday evening.

"Floor will be 5125. Ceiling will be 5241.. close at 5169, down 21 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open lower with the local futures contract down 23 points. The weight of evidence suggests that our market should challenge its 28-October-2013 high of 5457 points going forward.

"The same evidence warns us however that it may be the last act in an intermediate term topping process.

"The retailers are the canary in the **coal** mine - they took out their December low on the recent downturn and look set to challenge their June-2012 low in due course.

"The Tech sector, another growth sector, came close to breaking its December low. "And the banks are struggling too.

"Unless these sectors gain upside traction, the writing is on the wall for a larger decline going forward.

"But none of this matters for today. I am hedging my bets with the high and low today. The floor will be 5125. The ceiling will be 5241. When the dust has settled, the market will have closed at 5169, down 21 points.

The S&P/ASX200 closed up 1.9 points to 5190 last Friday.

February 3. Good morning.

*Barron's 2014 Roundtable Part 3 also continued to offer investing tips for US stocks.

*Barron's was bullish on Akamai, "The WD-40 of the Internet", said it could rise 25%.

*Barron's was bullish on Imperial **Oil** in Canada, owned 70% by ExxonMobil.

*Barron's was bullish on Stanley Black & Decker that had a price fall recently.

*Barron's believes GM could rise 30% or more this year, but Ford will do better.

*Barron's was bullish on Weight Watchers.

*Barron's International Trader - Europe was bullish on Ericsson.

*Barron's International Trader - Asia focussed on Viet Nam.

*Barron's Emerging Markets column said the barrage against the emerging markets is not likely to end any time soon. Columnist Ben Levisohn added that the fate of emerging markets is tied to **China**. **China's** bailout of the wealth management product called Credit Equals **Gold** No 1 could be just the beginning of its shadow banking troubles. Ultimately, **China** could be forced to depreciate its currency in order to restore competitiveness, Deutsche Bank's John-Paul Smith said, the columnist reported.

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 mostly lower. AWC fell 2.5c on 7.46m shares, RIO fell 10p on 2.2m shares, News fell 8c on 760,000 shares, FOX rose 30c on 6.76m shares, Westpac fell 28c on 146,000 shares. Telstra rose 1c on 427,000 shares, Resmed fell 5c on 7.5m shares.

PSivida fell 15c on 132,000 shares.

Prana rose 7.5c on 27.2m shares.

In London Anglo American rose 0.5p to 1,436p on 7.57m shares, Aquarius fell 1p to 39.5p on 597,099 shares, BskyB fell 2p to 876p on 5.7m shares, BHP fell 15.5p to 1,795.5p on 9.4m shares. Henderson fell 4.8p to 220p on 1.2m shares. RIO rose 3p to 3,243p on 3.7m shares.

Trading points:

*CTY: Country Road reports for the half year.

Company guidance: Country Road Ltd in a trading update for the half year ended December 28 rose 5.5% in Australasia to \$379.1 **million** and were up 13.6% in South Africa to \$42.9 **million** for total sales up 6.6% to \$422 **million**.

Witchery and Mimco sales are included last year from the effective date of **acquisition** on September 29.

Profit update

Country Road expects total group profit before tax to be between \$48.5 **million** and \$50.5 **million**, up between 67/74% on last year's profit before tax.

*PRY: Primary Health reports for the half year.

Analysts expectations: \$201 mln.

*A leading broker on January 20 had a "buy" on Primary Healthcare. The broker said the AUS Healthcare Sector is priced at its most attractive level i four years in its view. Relative to the ASX200 Industrial ex financials, the sector is trading at a 15% 1 year forward p/e premium vs the 10 year average of 25%.

The broker has a "buy" on PRY with a \$6 target price, saying it offers little or no risk. Medicare Benefits momentum is tracking in line with 2013 and strengthening in areas such as imaging. However, catalysts are lacking for a re-rate.

Company guidance: (Nov 27)

Our Darvas System related Special Report is on Grange Resources Ltd today, posted separately.

Changes in substantial reported January 29, 30 and 31 inc posted separately.

Overseas

The DJIA closed down 149.76 points to 15,698.85.

S&P 500 fell 11.6 points to 1782.59.

NASDAQ was down 19.25 points to 4103.88.

US 10yr bond yields fell 5 points to 2.65%.

The US\$ fell 68 points to 102.04 Yen.

The Euro fell 64 points to 1.3488 US c.

The Yuan was steady at 6.0605/\$US1.

FTSE 100 fell 28.01 points to 6510.44. European markets closed lower.

The Nikkei Dow last evening closed down 92.53 points to 14,914.53.

Shanghai SE Comp IX was closed on holiday.

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 fell \$29 to \$7,065/fell \$2 to \$A8074. Stockpiles fell 1,675 tonnes to 314,525 tonnes.

Aluminium weakened \$24 to \$1,706/fell \$20 to \$A1950. Stockpiles fell 8,575 tonnes to 5,423,550 tonnes.

Nickel rose \$170 to \$13,980/gained \$255 to \$A15,977. Stockpiles fell 180 tonnes to 266,538 tonnes.

Zinc fell \$9 to \$1,973/fell \$2 to \$A2255. Stockpiles fell 2,000 tonnes to 854,450 tonnes.

Lead was unchanged at \$2,114/\$A2416. Stockpiles fell 500 tonnes to 208,475 tonnes.

Tin was unchanged at \$22,025/rose \$97 to \$A25,171. Stockpiles rose 30 tonnes to 8,915 tonnes.

Iron Ore n/a

Seel was unquoted.

Cobalt was indicated at \$28,500/29,500.

Molybdenum was indicated at \$21,800/22,800.

WTI crude fell 74c to \$97.49/fell 41c to \$A111.42.

Brent Crude fell \$1.55 to \$106.40/fell \$1.29 to \$A121.60.

Spot **gold** rose \$3 to \$1,245/rose \$8.92 to \$A1423. Spot silver fell 1c to \$19.17/rose 7c to \$A21.91. Spot platinum was down \$5 to \$1,377/was steady at \$A1574. Spot palladium fell \$2 to \$705/rose \$1 to \$A806.

Overseas eco news

In US eco news, personal spending rose 0.4% in December the Commerce Department reported vs up 0.2% expected while personal income was unchanged vs up 0.2% expected.

*The Chicago area PMI dropped to 59.6 in January from a revised 60.8 in December.

*The Thomson Reuters/University of Michigan's overall index of consumer sentiment was 81.2 in January, down from 82.5 in December but up from the preliminary January reading of 80.4 and vs the 81.1 expected.

*Eurozone inflation fell for the second month in a row in January to 0.7% from 0.8% in December, Eurostat reported, vs up to 0.9% expected.

Core inflation rose to 0.8% in line with expectations from 0.7% in December.

*Separately Eurostat reported unemployment fell for the third consecutive month in December. The number of unemployed decreased by 129,000 from November to 19.01 **million**. The latest monthly fall was the sharpest since April 2007.

The jobless rate came in at 12% for the third consecutive month in December vs up to 12.1% expected.

*German retail sales fell 2.5% in December vs November, Destatis reported after rising 0.9% in November and steady sales expected in December. On a 12 month basis retail sales fell 2.4% vs December last year.

Overseas **equity** news

*In the US of the Dow 30 there were 5 stocks higher and 25 down.

Verizon led the way higher, up 39c or 0.82% to \$48.02 followed by Microsoft, McDonald's, Caterpillar and 3M.

Chevron led the way down, falling \$4.82 or 4.14% to \$111.63 followed by Visa, Exxon, American Express and Nike.

Zynga, an online games company, rose 24% after announcing late Thursday that it is buying NaturalMotion, a mobile videogame company for \$527 million and will also cut its head count by 314 workers. Zynga reported a 3c a share loss for the December quarter vs 8c for the pcp.

Chipotle Mexican Grill rose 12% after 4th quarter profit and revenue beat analysts expectations.

Computer Sciences Corp rose 9.5% after reporting better than expected eps for the quarter. Tyson rose 8.4% on a strong rise in profits and sales, beating expectations. Casino company Wynn Resorts rose 7.9%.

Amazon late on Thursday reported a higher 4th quarter profit but sales came in below expectations. Mattel fell 12% after reporting a drop in 4th quarter sales.

Newmont fell 10% after saying on Thursday it expects to take impairment charges of \$350/400 million in 2014 as it reduces its gold price expectation to \$1,300 from \$1,400 an ounce.

Google regained 4%.

*In Europe national benchmark indexes fell in 13 of the 18 western European markets led down by the banks after the European Banking Association report, (below).

Deutsche Bank fell 2.8% to Euro 35.89. Commerzbank fell 2.4% to Euro 12.63.

Meanwhile LVMH rose 7.9% to Euro 132.15 after saying sales of its fashion and leather goods unit rose 7% in the December quarter, up from 4% in the first 9 months.

Novo Norilsk rose 3.6% to NKr219.

Electrolux fell 8.8% to SKr139.20 after 4th quarter earnings fell 23% and below analysts expectations.

German utility EON rose 1.4% to Euro 13.47 on a brokers upgrade. Fresenius fell 2.1% to Euro 115.65.

*In the UK Vedanta fell 3.6% to 807.5p after saying copper output from its mines in India, Australia and Zambia fell in the December quarter.

Diageo Plc fell a further 1.1% to 1,800.5p. Royal Bank of Scotland fell 2.1% to 340p, Barclays fell 0.9% to 272.5p. Standard Chartered, which generates about 88% of revenue from outside the US and the Americas fell 1.6% to 1,240p for the eighth day of losses, Bloomberg reported.

BT Group rose the most in almost two months, up 3.3% to 383.3p after posting EBITDA of 1.5 billion pounds for the December quarter vs 1.5 billion pounds expected.

Unilever, which gets 57% of its sales from emerging markets fell 0.8% to 2,339p.

BAE Systems fell 1.6% on a broker downgrade. Burberry rose 2.6% after LVMH in Europe issued a positive earnings report. made an

In other news

*EBA to test banks' ability to respond to sovereign debt crisis

The largest banks in Europe will face a stress test and will need to show that their capital won't dip below 5.5% of their assets in an economic crisis, the European Banking Authority (EBA) said last night.

The exercise will examine a sample of 124 banks that cover more than half of each EU member state's banking industry. The test is scheduled to begin around the end of May, results will be published at end October.

The tests will be the first in Europe after the EBA told banks in December 2011 to raise Euro 114.7 billion in fresh capital to respond to the area's sovereign debt crisis.

The lenders will be tested on resilience to credit, market and sovereign risk, securitization and cost of funding. Both trading and banking book assets will be tested.

According to the EBA's guidelines, the ECB may decide to set stricter requirements for the stress test and include more lenders than those included by the EBA.

The ECB will take over supervision duties from domestic regulators in the Euro area in November this year.

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