DOW JONES NEWSWIRES

HD **Little to Like About Arrium's Prospects, Macquarie Says -- Market Talk**

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0002 GMT [Dow Jones] Macquarie says Arrium (ARI.AU) is a challenging investment proposition despite raising A$732 **million** in new capital, as spot **iron ore** pricing are tracking below the broker's current assumptions. "The cost reduction programs of the **iron ore** majors, coupled with their volume ramp up programs, mean that higher cost producers such as Arrium will continue to struggle given their position on the cost curve," Macquarie says. In other words, Arrium has few levers to influence the prospects of its **iron**-**ore** division. That makes a turnaround in its steel business more important. But Macquarie sees little respite there, at least in the short term. "Current market conditions will be forcing management to evaluate a number of potential solutions to stabilize cash flow, although these may ultimately reduce future earnings upside," Macquarie says. The broker rates Arrium at underperform, with a A$0.39 price target. ARI last traded at A$0.34. (david.winning@wsj.com; @dwinningWSJ)

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2356 GMT - Asciano (AIO.AU) appears to be fending off the challenge from Hutchison Ports in its ports business, with Hutchison taking market share from Dubai-based DP World instead, says Macquarie. Asciano is continuing to consider the **sale** of a minority **stake** in its ports business. Based on trading data and analysis of recent deals in the sector, Macquarie thinks Asciano could do a deal at a multiple of 13 times Ebitda. That points toward upside of A$200 **million** to the broker's A$2.8 **billion** for the division as a whole. Macquarie, which rates Asciano at outperform with a A$7.00 price target, says a partial **sale** of the ports business would be a material near-term catalyst for the stock. AIO last traded at A$5.70. (david.winning@wsj.com; @dwinningWSJ)

2352 GMT [Dow Jones] Australian shares continue to fall, adding to last week's tumble amid heightened worries about global economic growth and geopolitical risks. **Chinese** trade figures are likely to be the main focus for the market Monday. The S&P/ASX 200 is 0.9% lower at 5142.3, which has the benchmark index down 9.1% from its early September peak for the year. All sectors of the market are lower, with the four big banks down between 0.5% and 0.8% and **mining** heavyweight BHP Billiton (BHP.AU) down 0.2%. CMC Markets chief market analyst Ric Spooner says the next significant support levels for the market are the lows from December and February at about 5025 and 5050, while last Thursday's high of 5325 is now resistance. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2350 GMT [Dow Jones] Woodside (WPL.AU) is undervalued and its strategy is sound, says Citigroup, which reckons the Australian **oil company** will reveal Thursday it is getting higher prices for its LNG. The broker, which rates Woodside a **buy**, says the LNG price details could prompt consensus earnings upgrades of 7% to 8%. Woodside has copped some flak for paying 80% of its profit as dividends while it struggles to find new investment options. Citigroup, however, says the scenario provides a 6% to 7% dividend yield for the remainder of the decade, while leaving US$3.5 **billion** spare room for acquisitions. "Woodside is delivering on a good strategy, with a clear order for capital allocation to target shareholder returns greater than 15% per annum," the broker says, applying a A$46.44 price target. WPL is down 0.9% at A$38.36. (ross.kelly@wsj.com)

2343 GMT [Dow Jones] Deutsche Bank says Orica (ORI.AU) remains its preferred pick in the Australian chemicals sector, despite lowering its target price after revising its foreign exchange assumptions. Deutsche cuts Orica's price target to A$26.80/share from A$27.60, estimating a 1% move in the Australian dollar against a basket of currencies comprising the USD, EUR, GBP and NZD could lift pre-tax earnings by as much as A$14 **million** or lower it by A$10 **million**, depending on the direction of exchange rates. For Orica, key risks to Deustche's **buy** call include **mining** services demand. Also in the chemicals sector, the broker rates Nufarm (NUF.AU) as a **buy** with a A$4.85 price target, and Incitec

Pivot (IPL.AU) at hold with a A$3.30 price target. ORI last traded at A$18.46. (david.winning@wsj.com; @dwinningWSJ)

2342 GMT [Dow Jones] Nymex crude is likely to consolidate near term after hitting a nearly two-year low of $83.59 on Friday but settling up five cents at $85.82/bbl, Dow Jones technical analysis shows. The daily continuation chart is mixed as the five- and 15-day moving averages are declining and the MACD indicator is bearish, but the slow stochastic measure is turning bullish in oversold territory. Resistance is at $86.29 (Friday's high); a breach would be near-term positive, exposing the upside to $87.95 (Thursday's high), then to $88.63 (Wednesday's high), $90.57 (Tuesday's high), $90.74 (Oct. 6 high, near the middle 20-day Bollinger Band), $91.79 (Oct. 3 high) and $92.96 (Oct. 1 high). But a drop below the $83.59 support would reinstate the negative near-term outlook, exposing the downside to $82.10 (July 2, 2012, low), then to the psychological $80.00 line and $77.28 (June 28, 2012, swing low). November crude is down 91 cents at $84.91/bbl on Globex. (jerry.tan@wsj.com)

2338 GMT [Dow Jones] Deutsche Bank is leaning against the recent sell-off in Australian equities, trimming positions in shares that are outperforming and adding to underperformers. "With earnings momentum reasonable, we expect the market to rise heading into year-end." The most notable trimming, the bank says, has been to offshore industrials where relative valuations are quite high at an about 35% price-earnings premium to the market. It has added to its financials and **energy** overweight positions, but has a small underweight position on the miners. The S&P/ASX 200 currently is down 1% at 5137.8. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2317 GMT [Dow Jones] The nickel market appears set to move into deficit in 2015, should expectations of 4% demand growth be accurate and Indonesia's mineral **ore** ban remain in place, says David Southam, executive director of Australian nickel miner Western Areas Ltd. (WSA.AU). He says the nickel market is expected to face a deficit of 100,000 tons or so next year and for an annual shortfall to continue for the foreseeable future. In 2013, the market was oversupplied by around 200,000 tons and is expected to also record a surplus this year. "Stainless steel demand remains strong in **China** and European stainless steel demand appears to be improving," Southam says. Meanwhile, there is a "very strong message from the Indonesian government that the ban is permanent," he adds. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2258 GMT [Dow Jones] A 0.8% fall in New Zealand food prices in September is in line with expectations as food prices have remained largely flat over the last year, says ASB economist Christina Leung; "The result adds to other inflation indicators pointing to a contained inflation environment." Leung adds that the 3Q CPI release due next Thursday will show annual inflation at around 1.2%; "With little urgency for the RBNZ to resume its tightening cycle, we continue to expect the RBNZ will keep the OCR (official cash rate) on hold at 3.5% until March 2015." (lucy.craymer@wsj.com;Twitter: @lucy_craymer)

2246 GMT [Dow Jones] September Real **Estate** Institute of New Zealand, or REINZ, may show subdued house sales due to election-related uncertainty, says Westpac Bank. Recent data from REINZ have been weak, "hinting at a renewed slowdown in housing" but "it is not clear whether this was signal or noise," says Westpac. House sales fell 19% between September and April, and rose 4% between April and August. While they may be weaker in September, Westpac says a rebound in October is possible. The data are due early this week. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2244 GMT [Dow Jones] Base metals **company**Red River Resources (RVR.AU) will likely need around A$15 **million** to restart production at the Thalanga mine in Australia's Queensland state by the end of 2015, and a further A$10 **million** for exploration, says Foster Stockbroking. The broker rates Red River a speculative **buy**, with a A$0.58/share price target. Red River says the West 45 area, which management acquired from Kagara **Mining** after it became insolvent, is the logical place to resume output. Foster, which visited the Thalanga **site** recently, said Red River has several advantages over other junior miners. These include nearby infrastructure including roads, port, refinery, and grid power; workforce access at Charters Towers and Townsville; an existing mill; and an advanced developed **ore** body close by. RVR last traded at A$0.245. (david.winning@wsj.com; @dwinningWSJ)

2241 GMT - Bell Potter remains positive about Australia's big general insurers. It defends **buy** recommendations for Insurance Australia **Group** (IAG.AU), QBE Insurance (QBE.AU) and Suncorp (SUN.AU) based on the defensive nature of the industry and operating scale of the three companies, which are working to cut costs. It also says SUN has a large and likely growing capital surplus, while the upside is likely greatest for QBE given its investments are shorter in duration and its claims liabilities longer in duration. It has a target of A$6.75/share on IAG, A$13.10/share on QBE and A$15/share on SUN. (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

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