

**HD MARKET EXPECTED TO CLOSE MILDLY HIGHER**

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**WC** 3,602 words

**PD** 5 June 2014

**SN** OzEquities News Bites

**SC** NBOZEN

**LA** English

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The S&P/ASX200 is likely to close mildly higher today.

Europe closed mixed in a narrow range, the UK market closed slightly lower, the US markets were slightly higher.

On the NYSE where 3229 issues traded there were 1,623 issues higher, 1,502 down and 104 unchanged. On Nasdaq where 2743 issues traded there were 1,468 issues higher, 1,188 down and 87 unchanged.

\*Volume was low in all overseas markets.

Metals were weaker, **iron ore** rose, crude fell a touch, **gold** was slightly lower. The \$A is at 92.78US c, up a few from last evening.

"Support at 5430 then at 5400, resistance at 5450 then 5465 .. I'll call it up 10"

Ben Faulkner, a senior adviser at Morgans said, "The S&P500 last night had a 10 point range in a pretty quiet night, however closing at a record high, not far off intra day highs. For the S&P500 the picture looks as good as it can be on the technical charts. There are no real areas of resistance given it is testing new highs - 1930 may offer resistance.

"Spot **gold** is consolidating around 1240/1245. I expect a dead cat bounce at some stage.

"**Copper** was a bit weaker last night, broke the \$3.12/lb level of support. It needs to hold the \$3.09/lb level or could head back to \$3/lb.

"It was a pretty uneventful night on the Euro last night, awaiting the ECB meeting tonight.

"US bond yields ticked slightly higher, now sitting just at the 2.6% level - the sell off in **bonds** continues.

"**China** yesterday broke back below the 20 day moving average. The consolidation there has broken down negatively. Support now is at 2010. The critical level of support is 2000. If we see 2000 broken, it may head back to the lows of March of 1980.

"The Japanese market remains very strong, it has closed above 15,000 for two consecutive days. It has quite a bullish chart.

"The XJO broke down yesterday below the 20 day moving average, it also broke the 50 day moving average for the first time since early May.

"It is short term bearish. For the week we really need to see 5430 hold in my view otherwise we could break down to the previous May lows. Any break of 5400 would see the market potentially test 5300 over the coming weeks. However there is good support at 5430 and then at 5400. Resistance is now at 5450 followed by 5465.

"For the day, under performance on our market has been pretty much every day this week. I expect us to take back some of that today. I will call us up 10 points'.

The S&P/ASX200 closed down 34.9 points to 5444.8, 2 points last evening.

June 5. Good morning.

\*The G7 is meeting in Brussels and is discussing the Ukraine situation, new climate change efforts and other matters - below "in other news'

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 higher. AWC fell 1.5c on 90,000 shares, Amcor rose 4c on 42,000 shares, RIO rose 10p on 2.1m shares, BHP gained 2c on 4.1m shares, News rose 8c on 300,000 shares, Westpac fell 5c on 56,000 shares, Telstra rose 1c on 350,000 shares, Resmed rose 1c on 3.4m shares.

Psivida fell 11c on 61,000 shares. Prana was steady on 8.2m shares.

In London Anglo American rose 2.93p to 1,460.93p on 4.7m shares, Aquarius fell 0.5p to 24.75p on 828,001 shares, BskyB rose 2.96p to 865.96p on 2.8m shares, BHP rose 7p to 1,883p on 5.5m shares, Henderson fell 1.99p to 243.81p on 1.5m shares. Rio rose 10.31p to 3129.31p on 5m shares.

Trading points:

\*Drug against Alzheimer's discovered by chance and patented by Swiss **firm** Affiris - more below "in other news'.

New listing

RTG **Mining** Inc (RTG, RTGO) may list today following merger with Sierra **Mining** Ltd announced on February 24.

On May 16 Sierra announced shareholders had voted in favor of each of the schemes. On May 22 Sierra announced the Federal Court of Australia had approved the Schemes. Sierra securities were suspended from trading at close of trade on May 23.

Sierra shareholders hold approximately 72% of the diluted capital of the merged entity.

RTG is a **mining** exploration **company** led by the previous management of CGA **Mining** Ltd. CGA developed the 200,000 oz p.a. Masbate **gold** project in the Philippines and merged with B2Gold Corp in a \$US1.1 **billion** scheme of arrangement in January 2013. Prior to this the RTG management team had been involved in the development of six other **gold** mines.

RTG is listed on the main **board** of the TSX. It has cash and receivables in excess of \$A14.1 **million** as at December 31 2013.

B2Gold is the largest shareholder in both Sierra and RTG.

Directors:

Michael Carrick, Chairman

Mr Carrick is a Chartered Accountant with over 20 years experience in the resources sector. He was previously Executive Chairman of AGR Limited, the entity which owned and developed the Boroo **Gold** Project in Mongolia, and the Chief Executive Officer of Resolute Limited, one of Australia's largest **gold** producers and Chief Executive Officer of CGA **Mining** Limited. Prior to joining Resolute, Mr Carrick was a senior partner at Arthur Andersen. Mr Carrick holds degrees majoring in economics, law, business administration and accounting and has been responsible for the **acquisition**, development, and operation of a number of major **gold** projects, both in Australia and internationally. Mr Carrick is a current non-executive director of B2Gold Corp.

Justine Magee, President and CEO

Ms Magee is a Chartered Accountant with extensive experience in the resource sector having headed the corporate and finance areas for Resolute Limited for 6 years. She was formerly with Arthur Andersen and a director of AGR Limited and CGA **Mining** Limited. Ms Magee holds a Commerce Degree from the University of Western Australia.

Robert Scott, non exec director

Mr Scott is a Fellow of the Institute of Chartered Accountants in Australia with over 35 years experience as a corporate advisor. He is a former senior partner of the international accounting **firm** KPMG and Arthur Andersen.

Phil Lockyer, non exec director

Mr Lockyer is a **Mining** Engineer and Metallurgist with more than 40 years experience in the **mining** industry, with an emphasis on **gold** and nickel, in both underground and open pit **mining operations**. Mr Lockyer was employed by WMC Resources for 20 years, reaching the General Manager of Western Australia responsible for that **company's** **gold** and nickel divisions.

David Cruse, non exec director

Mr Cruse has extensive experience in commerce and finance. He was a stockbroker for over 20 years, where he held senior management positions and directorships in the stockbroking industry, with particular focus on capital markets. More recently, Mr Cruse has been involved in the identification and commercialisation of a number of resource (including **oil** and gas) projects.

Justine Magee, President and CEO

Ms Magee is President and Chief Executive Officer, as well as a director of

RTG. For further details on Ms Magee's biography see section 5.4.

And from Sierra:

Matthew Syme, **B.Com.** CA, managing director

Mr Syme is a Chartered Accountant and an experienced **mining** executive with over 23 years experience as a senior executive of a number of companies in the Australian resources and media sectors. He was a Manager in a major international Chartered Accounting **firm** before spending 3 years as an equities analyst in a large stockbroking **firm**. He was then Chief Financial Officer of Pacmin **Mining** Limited, a successful Australian **gold mining company**, as well as a number of other resources companies. Mr Syme retired as Managing Director of Berkeley Resources Limited in late 2009 after successfully guiding the **acquisition** and scoping studies of Berkeley's Salamanca **Uranium** Project in Spain.

Mr Syme was appointed a director of Sierra on 1 July 2010.

\*Yesterday Papillon Resources Ltd announced it has entered into a definitive merger implementation with B2Gold Corp to combine the two companies at an agreed exchange ratio of 0.661 B2Gold common shares for each Papillon share held.

The merger represents a **purchase** price of \$A1.72 per PIR share and values the **transaction** at approximately \$A615 **million**. Former Papillon shareholders will own 265 of the merged **group**.

The combination of B2Gold and Papillon will result in a **company** with a significant growth profile beyond its 3 operating mines which collectively produce 366,000 ozs of **gold** in 2013 at a cash cost of \$C681 and an all in sustaining cost of \$C1,064 per oz.

B2Gold's production is projected to increase significantly as the low cost Otjikoto mine in Namibia begins **gold** production in late 2014.

The combined **company** will be focused on furthering the development of the Fekola project in Mali and continuing to operate B2Gold's existing Masbate **gold** mine in the Philippines and the Limon and La Libertad **gold** mines in Nicaragua.

Overseas

The DJIA closed up 15.19 points to 16,737.53.

S&P 500 closed up 3.64 points to 1,927.88, a new record high.

NASDAQ rose 17.56 points to 4,251.64.

US 10yr bond yields were steady at 2.6%.

The US\$ rose 20 points to 102.74 Yen.

The Euro fell 23 points to 1.3598US c.

The Yuan rose 49 points to 6.2499/\$US1.

FTSE 100 fell 17.67 points to 6,818.63. European markets closed mixed.

The Nikkei Dow last evening closed up 33.71 points to 15,067.96.

Shanghai SE Comp IX closed down 13.48 points to 2,024.83.

#### 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 \$82 to \$6,785/fell \$103 to \$A7313. Stockpiles fell 350 tonnes to 168,475 tonnes.

FastMarkets reports the **Chinese** government is leading an investigation that so far is thought to concern only Qingdao port and one **company** alleged to have illegally collateralised 20,000 tonnes of **copper** into 40,000/50,000 tonnes worth of loans.

Aluminium fell \$11 to \$1,835/fell \$16 to \$A1978. Stockpiles fell 7,50 tonnes to 5,175,500 tonnes.

Nickel fell \$50 to \$19,025/fell \$94 to \$A20,505. Stockpiles fell 234 tonnes to 283,752 tonnes.

Zinc fell \$9 to \$2,079/fell \$14 to \$A2241. Stockpiles fell 3,650 tonnes to 703,425 tonnes.

**Lead** fell \$32 to \$2,103/fell 439 to \$A2267. Stockpiles were steady at 190,425 tonnes.

Tin shed \$85 to \$23,225/fell \$140 to \$A25,032. Stockpiles rose 130 tonnes to 10,915 tonnes.

**Iron Ore** rose \$2.10 to \$94.60/gained \$2.07 to \$A101.96.

Steel was indicated at \$400/410.

While production of steel is expected to rise, Metals Strategies Inc steel consultant Chris Plummer said at the BIR convention last night that he expected steel to lose 3/4 **million** tonnes to aluminium in the auto sector - he added it was not a big amount. Perhaps two integrated steel mills in North America could be at risk, but that would be all.

Cobalt was indicated at \$30,400/30,700.

Molybdenum was indicated at \$32,000/33,000.

WTI crude fell 2c to \$102.64/fell 24c to \$A110.63.

Brent Crude fell 42c to \$108.40/fell 68c to \$A116.84.

The US **Energy** Information Administration said crude stockpiles fell 3.4 **million** barrels for the week ended May 30 vs a fall of 2 **million** barrels expected. Inventories at Cushing fell roughly 300,000 barrels to 21.4 **million** barrels the EIA reported.

Spot **gold** fell \$2 to \$1,244/fell \$4.77 to \$A1341. Spot silver fell 3c to \$18.80/fell 7c to \$A20.26. Spot platinum rose \$5 to \$1,436/rose \$2 to \$A1548. Spot palladium fell \$2 to \$836/fell \$4 to \$A901.

#### Overseas eco news

In US eco news, the ISM non manufacturing composite index for May came in at 56.3 vs expectations at 55.2.

\*The US trade deficit for April widened 6.9% to \$47.2 **billion** vs \$40.9 **billion** expected. Imports rose by 1.2% to a record high of \$ 240.6 **billion**. Imports of cars, investment custodians, food and consumer goods each reached new highs. In contrast, exports fell by 0.2 % to \$ 193 **billion** - mainly because of the slump in demand from **China**.

\*First quarter productivity was revised to show a decline of 3.2% seasonally adjusted the Labor Department reported.

\*Unit labor costs rose 5.7%, close to expectations.

\*The Mortgage Bankers Association reported its seasonally adjusted index of mortgage applications fell 3.1% in the week ended May 30. Fixed 30 year mortgage rates averaged 4.26% in the week, down 5 basis points from 4.31% the week before.

\*The ADP private sector employment report revealed US employers added 179,000 jobs in May, below expectations.

\*The Beige Book reported stronger consumer spending boosted economic activity across most of the 12 districts surveyed. Higher auto sales particularly for new cars were reported by more than half the Fed districts, with steady sales in other districts. Residential real estate was mixed, hiring activity was steady to stronger, wages in most districts remained subdued and manufacturing expanded in all regions.

\*Eurozone inflation fell to 0.5% in May, down from 0.7% in April and well below the European Central Bank's 2% target.

\*The Eurozone GDP fell 0.2% over the March quarter rose by 0.2% vs up 0.3% in the December 2013 quarter but was up almost 10% vs the previous corresponding period.

GDP for Hungary and Poland rose 1.1% in each country, Denmark followed at 0.9%, the UK and Germany each recorded 0.8% growth in the first quarter.

The Netherlands GDP fell .4%, Cyprus and Portugal both recorded 0.7% contractions over the March quarter.

\*Markit reported the EU composite purchasing managers index fell to 53.5 in May from 54 in April.

\*EU statistics office Eurostat showed that the eurozone unemployment rate fell slightly to 11.7% in April from 11.8% in March. The drop means 18.75 million were unemployed in April.

In total, the number of people unemployed fell by 76,000 between March and April.

There were wide variations across the eurozone. Austria had the lowest unemployment rate at 4.9%, closely followed by Germany with 5.2%.

In Greece, unemployment was 26.5% in February, while Spain had a 25.1% unemployment rate.

\*In the UK the Markit/CIPS services purchasing managers' index (PMI) eased slightly to 58.6 in May from 58.7 a month earlier.

But that was still well above the 50 mark that separates growth from contraction.

Markit said the economy was on course to grow by 0.8% in the second quarter.

That would push the economy past its previous 2008 peak.

Overseas equity news

\*In the US of the Dow 30 there were 16 stocks higher and 14 down.

Travelers led the way higher, gaining \$1.26 or 1.35% to \$94.67 followed by McDonald's and United Health.

General Electric weakened the most, down 24c or 0.9% to \$26.55 followed by Cisco and United Technologies.

General Motors rose 3.5% despite awaiting the results for an internal probe on why it took so long to recall cars with a faulty ignition switch that led to the deaths of at least 13 people. Apple rose to a new 52 week high of over \$645. Handbag and accessory maker Coach was down 2.5% and has fallen more than 30% for the year.

FuelCell fell 7.4% after reporting a second quarter loss widening to \$16.6 million or 7c a share on Tuesday, vs \$7.6 million or 4c per share for the pcp, or a loss of 4c per share on an adjusted basis vs a loss of 3c expected. Other fuel cell companies fell in tandem.

Bristol-Myers Squibb fell 3% intra day after announcing it has extended a drug discovery and development agreement with Syngene International, a contract research organisation in India for 5 years.

Newell Rubbermaid rose 4.4% after being upgraded to "overweight" from "equal weight" by a leading broker. Legg Mason rose 1.9% after Stifel Financial Corp said it has agreed to **buy** Legg Mason Investment Counsel and Trust Co for an undisclosed sum.

\*In Europe benchmark indexes rose in 10 of the 18 markets.

Volkswagen fell 1.5% to Euro 192.80 after selling Euro 2 **billion** of preferred shares at Euro 191 each to help pay for the takeover of Scania. Peugeot Citroen fell 1.6% to Euro 9.98 and Fiat fell 1.7% to Euro 7.49. Repsol fell 3.6% to Euro 20.11 after Petroleos **sold** a 7.9% **stake** at Euro 20.10 a share.

Dufry rose 6.4% to Swiss francs 155 after the Swiss duty free store operator said its \$1.73 **billion purchase** of Nuance, owned by PAI Partners and Geco will boost cash earnings next year.

Coloplast rose 3.2% to Danish Kr 495.60 after saying organic revenue will grow 7%/10% each year for the next 3/5 years. Telecom Italia rose 2.6% to Euro 0.93.8c.

\*In the UK the FTSE 100 ended the day lower, after being dragged down by shares in Tesco, after the supermarket giant posted its largest quarterly drop in UK sales for 40 years. The supermarket giant's weak first quarter trading update meant its shares closed 1.34% lower. Tesco reported a 3.7% fall in like-for-like UK sales, which it admitted was its worst performance for decades.

Tesco rival Sainsbury shares fell 1.9% in tandem.

Among those going ex-dividend were National Grid and the advertising giant WPP. National Grid shares fell 5.3% and WPP dropped 2.1%.

Sports Direct rose 3.6% after a target price for the stock was raised by Exane BNP.

Smith & Nephew rose 3.3% on speculation of a bid from Stryker.

In other news

Austrian biotech Affiris patents a drug against Alzheimer's it discovered by chance

Handelsblatt reports Austrian biotech **company** Affiris claims to have discovered a drug against Alzheimer's by chance according to own data. "Just as the invention of penicillin was random, so it is also in our case," CEO Walter Schmidt said on Wednesday. The substance AD04 had been used in a research study against a placebo.

By chance, the Viennese researchers recognized the action against the dementia Alzheimer's disease. The new agent has according to the **company** two effects: it stabilizes the power of memory and stops shrinkage of the hippocampus. Its effect was especially pronounced in patients in the early stage.

Affiris is already in talks with major pharma and financial companies, Affiris CEO Schmidt told Handelsblatt last night, adding that the drug could reach the market in less than five years.

He would not comment on the possible price.

The market for a drug against Alzheimer's disease is calculated at Euro 4/5 **billion**, Handelsblatt added.

Affiris, founded in 2003 has financial investor MIG Funds as a major shareholders, also venture capital **firm** Santo VC held by the twins Thomas and Andreas Strungmann who **sold** their pharmaceutical **company** Hexal nine years ago for Euro 5.9 **million** to Novartis.

G7 talks on Russia, Climate Change

Chancellor Angela Merkel (CDU), reiterated that if the talks in the G7 summit in Brussels did not go well, there was the threat of sanctions against Russia. She said talks with Russia should continue at the same time.

The German Chancellor also said the US and the UK were also responsible for the destabilisation in eastern Ukraine.

The G7 will also decide on common positions for free trade, increased **energy** security and the preservation of international law in Brussels, Chancellor Merkel announced. At the same time they again called for greater regulation of so-called shadow banks.

EU Council President Herman Van Rompuy stressed at the same time, Russia was not excluded from this summit, permanently from the **Group** of Eight (G-8). However, it is still too early to decide whether, when and under what conditions can Russia take part again.

On **energy**, the Chancellor referred to decisions of the G7 ministers: "By 2015, they want to develop a comprehensive, long-term action plan, which seeks to prevent that **energy** is used as a political means of coercion," Merkel said, referring to the Russian-Ukrainian dispute to gas supplies.

New climate policy to limit emissions of greenhouse gases

In addition, the G7 countries want a new start in climate policy and the limitation of emissions of greenhouse gases. At the World Climate Conference in 2015 a binding agreement must be stipulated which should enter into force by 2020, Merkel said.

Much more has to be done to limit global warming to two degrees, she warned.

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