

HD MARKET CLOSES HIGHER ALMOST EXACTLY AS EXPECTED

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The S&P/ASX200 closed up 27.1 points to 5464 after shedding 5.1 points on matchout, on almost average volume worth \$3.8 **billion**. There were 598 issues higher and 422 down. The SPI Futures was up 19 points to 5461 on lightish volume of 18,350 contracts. Aussie 10 year bond yields are down 1 point to 3.77%. The \$A is at 93.30 US c, up about 55 points on last evening.

*The banks contributed 18.9 positive points to the index, insurers contributed 0.3 positive points, resources contributed 2 negative points, **property** trusts contributed 0.3 positive points, retailers contributed 0.5 positive points, Telstra contributed 3.4 negative points.

Over the week our market fell 28.5 points or 0.5%.

*Reuters reports **China** will further tighten supervision over the shadow banking sector, the country's banking regulator said on Friday, part of an ongoing campaign to control off-balance sheet lending by the country's financial institutions.

However at the same time, the **China** Banking Regulatory Commission (CBRC) will continue to support buyers of affordable housing, first-time home buyers and small- and medium- sized businesses amid signs of a slowing economy. "Currently, the economy, broadly speaking, is stable. But downward pressures are relatively significant which is a reflection of ... imperfect financing structures, inefficiencies in finance allocation and use and difficulties with SME (small and medium enterprises) financing," a press release circulated at the CBRC's conference said. Wang Zhaoxing, a vice president at the **China** Banking Regulatory Commission, told a news conference that the regulator will improve ways to manage deposit-to-loan ratios, an indicator of a bank's ability to absorb risk, and classify bad loans.

*At 4pm AEST the NikkeiDow futures was up 30 points to 15,090 points, Shanghai CSI physical was down 11.56 points to 2029.32, Hang Seng futrues was down 68 points to 22,917 points, S&P futures was up 2.6 points to 1941.10, Nasdaq futures was up 6.75 points to 3783 points, Dow futures was up 35 points to 16,853 points.

Gold futures were up \$2 to \$1255. Crude futures rose 7c to \$102.55.

The rise in our market was all the more surprising since the **China** markets were weaker - and the gain in the US and Japan after the ECB lowered rates to make the Euro more competitive against other currencies is hard to fathom - unless it means the precedent has been set making negative interest rates more available to the US and Japan?

Meanwhile, there are US job numbers out tonight and several eco numbers out of **China** and Japan next week, beginning Sunday.

"Resistance is at 5450, then at 5470 .. up 25 points for the day"

Ben Faulkner, a senior adviser at Morgans said, "There was a positive reaction on equities last night on the ECB move.

"The S&P500 again broke previous highs intra day, closing not far off its high for the night Volume last night was the highest so far this week, but not at the highest levels we have seen.

"**Copper** is still sitting on support, there was not much price action last night.

"**Gold** had a bit of a bounce. It is likely to have a bit of a dead cat bounce in coming days but I still think it will remain under pressure for the rest of this year.

"The Euro briefly spiked down to 1.35US c which was one of the DCB plans, to devalue their currency, but it defied the odds to sharply push back to 1.38/30US c at one stage.

"Shanghai saw a good move yesterday, closing above the 20 day moving average and above 2040 so that it looks like it was a false break on Thursday. We still need to see it close above 2060 for any signs of a bullish breakout.

"US 10 year bond yields took a bit of a breather last night, but probably are going to consolidate between 2.55% and 2.65%.

"The XJO had another weak day. We have seen a lot of selling pressure against the rising US market. Yesterday's close was again bearish. It did not close on its lows, but closed well below 5450.

"Given moves on markets overnight, it may close back above 5450 for the week, but still remain below the 20 day moving average.

"Our market is still in a short term correction. But I would not be surprised to see DAX and Euro stocks fall in coming weeks.

"Resistance for our market is at 5450, next at 5470. Support will now be 5430.

The short term outlook is still bearish in my view. For the day I will call us up 25 points'.

The S&P/ASX200 closed down 7.9 points to 5436.9 last evening.

THE WEEK AHEAD

(**China** exp/imp; trade bal. Japan GDP.

Jun 9: Holiday in all states except WA. Japan Consum Confid. UK BRC Ret sales.

Jun 10: RBA Stevens speech. ANZ Job Ads, hom loans, NAB Biz cond/confid. **China** New Yuan Loans, PPI, M2 Money Supply. Ex div: JHX ex 56.3c. US wholesale inv, JOLTS Job Openings. UK **M**'fr prod, ind. Prod.

Jun 11: WBC consum sent. Ex div: ALQ ex 20c; AWN ex 2c; IBC ex 1c; OFX ex div. TWR ex div. US MBA Mort Ind, Crude inv, Treasury Budget. German wholesale prices, UK Apr jobs. Avg earnings, RICS hous pric ind.

Jun 12: Aussie May jobs. US jobless, retail sales, exp/imp sales, biz inv.

Jun 13: Aussie total loans. **China** IP, ret sales. BOJ rate decision. US PPI, Mich Sent.

Euro CPI, trade bal, jobs. German CPI.

ECO NEWS

Australian Industry **Group**/Housing Industry Association Australian Performance of Construction Index (Australian PCI) recorded 46.7 in the month - a lift of 0.8 points on April's reading (readings below 50 indicate a contraction in activity). While house building was 54.4 and **apartment** building increased 7.0 points to 64.9, **commercial** construction contracted (albeit at a slower rate) at 49.7 and engineering construction fell further - registering 34.8. There were reductions in the rate of contraction in employment (up 3.8 to 47.1) and deliveries (up 3.1 to 47.0) however, wages (59.1) and input prices (66.1) remain high.

"The rebalancing of the construction sector is gathering pace with a further decline in engineering construction in May partially offset by healthy expansions in house and **apartment** building," said Australian Industry **Group** Director - Public Policy, Peter Burn said in the report.

TOP STOCKS

*WRT fell 2c to \$2.16 on 10.5m shares - does not seem to have any worthwhile alternative to accepting the WDC restructure offer.

*Sirtex rose 37c to \$17.17 on 141,755 shares.

*Mermaid Marine was up 10c to \$2.20 on 8.9m shares.

*Village Roadshow rose 22c to \$7.47 on 325,753 shares.

Among the financials, AMP closed up 6c to \$5.34 on 5.26m shares, ANZ rose 44c to \$33.67 on 15m shares, CBA gained 82c to \$81.77 on 2m shares, NAB rose 30c to \$33.53 on 3.17m shares, Westpac was up 35c to \$34.55 on 4.6m shares.

Among the TMT's Telstra fell 7c to \$5.23 on 36.29m shares (also a leading broker had a 'sell' recommendation on Telstra today with a \$4.35 price target - said competition in the mobile space is getting harder).

Telecom NZ was down 4c to \$2.45 on 1m shares, SingTel was steady at \$3.30 on 780,754 shares.

Among the resources BHP closed up 4c to \$36.24 on 8.1 **million** shares, RIO fell 25c to \$59.40 on 1.26m shares, Fortescue was down 13c to \$4.52 on 16.4m shares, Atlas fell 2c to 66.5c on 7.3m shares, BCI fell 4c to \$3.59 on 613,248 shares, Iluka was down 3c to \$8.50 on 877,998 shares.

Among the oils, Woodside was up 21c to \$41.74 on 1.9m shares. Santos was up 17c to \$14.58 on 1.7m shares, **Oil** Search rose 26c to \$9.78 on 6.7m shares.

Among the golds, Newcrest closed up 16c to \$9.77 on 2.25m shares, Northern Star rose 4.5c to \$1.13 on 2.4m shares, Regis was up 3c to \$1.49 on 2.3m shares, Beadell rose 3c to 64c on 4.5m shares, unusual volume for the stock. Medusa was up 6.5c to \$1.67 on 647,392 shares.

WINNERS AND LOSERS AMONG THE TOP 20 OVER THE WEEK

Fortescue was the winner, up 11c or 2.5% to 44.52 followed by AMP up 5c or 0.9% to \$5.34 and ANZ, up 18c or 0.5% to \$33.67.

On the downside QBE fell 45c or 4% to \$10.93 followed by Origin, down 56c or 3.7% to \$14.53 and Wesfarmers, down 94c or 2.2% to \$42.42.

AT THE SMALLER END

*Excellent biotech Biotron (HIV/AIDS, Hep C treatments) is up 2.3c to 12c also unusual volume worth \$3.66 **million** shares.

***Copper** explorer Avanco rose .9c to 9.7c on 15m shares. In response to the ASX price and volume query AVB said it has recently completed a placement of \$23 **million** to two strategic investors who are substantial shareholders of the **company**, at a premium to the closing price before the announcement.

Our Week's Special, "QHL: The Future Of Auto, Aeroplane Manufacture In Australia Is Here Already And It Is Huge.

Quickstep Holdings, At The Forefront Of A New Wave Of Manufacture Is An Already **Commercial** Supplier To The Most Prestigious Groups In The World Including Lockheed Martin And Northrop Grumman - And In Trials By Lamborghini And Other Top End Auto Manufacturers' posted separately.

NEWS OF THE DAY

NSW Councils win case against S&P appeal, will recover \$30 mln in losses

"The Age" reports Standard & Poor's, ABN Amro and Local Government Financial Services (LGFS) will pay \$30 **million** in legal costs and compensation to over a dozen Australian councils after the global credit ratings agency lost its appeal in the Federal court today. In a landmark decision of global significance, the appeals were dismissed unanimously by Justice's Jacobson, Gilmour and Gordon, with exception of one cross appeal under section 1041E.

"S&P new that it had no reasonable basis for putting a AAA rating on the investments," said council spokesperson, John Walker, Managing Director of IMF Europe.

The NSW councils, including the City of Ryde, Bathurst-Regional, Cooma Monaro and Deniliquin will now be able to recover \$30 **million** in losses after a four year battle.

Prior to the global financial crisis the councils invested heavily on the basis of AAA credit ratings, determined by S&P.

The councils invested in complex synthetic derivatives known as constant proportion debt obligations (CPDO's), otherwise known as 'rembrandt notes' that were rated AAA by S&P, arranged by ABN AMRO and **sold** by LGFS.

The investments subsequently tanked during the GFC and the councils lost 93% of their investments.

Changes to indices:

S&PDow Jones announced changes in the S&P/ASX indices, effective after close of trade on June 20:

S&P/ASX20: No change.

S&P/ASX50: No change.

S&P/ASX100:

Addition: TPI

Deletion: RRL

S&P/ASX200:

Addition: TGR

Deletion: ACR

S&P/ASX All Australian 50: No change.

S&P/ASX All Australian 200:

Addition: GXL, MYX, TGR

Deletion: ASL, EWC, SLR.

Ex div: KOV ex \$1.

LARGE CAP INDUSTRIALS

*ABC: NT customer resumes **operations**, ABC's like supplies to resume

Adelaide Brighton Ltd advised with regard to the outlook statement in Martin Brydon's address to the AGM on May 21, which stated the **company**'s like sales volumes for 2014 were likely to be down by around 5% o the previous year due to the suspension of **operations** by a major lime customer in the Northern Territory and the impact of **gold** mine closures that occurred in the second half of 2013, further to that announcement, ABC advises that the temporary suspension of **operations** by the NT customer has ended and like sales will resume following the progressive recommencement of its **operations**.

Market Cap \$2.14b.

ABC up 7 cents to \$3.34

*AIZ: Federal Court of Australia awards \$NZ3.2m as part of settlement

Air New Zealand announced it has been awarded \$NZ3.2 **million** towards its legal costs by the Federal Court in Australia as part of the settlement of the air cargo class action. AIZ is not making any payment as part of that settlement.

The class action was commenced by plaintiffs' lawyers Maurice Blackburn in 2007, alleging anti competitive conduct by many airlines setting cargo rates and surcharges. AIZ has consistently denied any such conduct and was one of two airlines to defend related proceedings brought by the ACCC. A decision of the Federal Court is awaited in respect of those proceedings.

Market Cap \$2.26b.

AIZ up 3 cents to \$2.03

*ANZ/EQT: Ministerial go ahead to acquire ANZ Trustees

Equity Trustees Ltd announced it has now received Ministerial Approval required to acquire ANZ Trustees Ltd. The Acting Treasurer of Australia, the Hon Mathias Cormann MP has recently provided the requisite

approval pursuant to section 601VBB of the Corporations Act 2001. As such the **sale** and **purchase** agreement with ANZ is now unconditional. The relevant employees at ANZ Trustees have now signed new employment agreements with EQT, the client contact program is well advanced and project teams have been formed to manage the transition and integration of the two businesses.

Market Cap \$92.4b./ \$389m.

ANZ up 44 cents to \$33.67 / EQT down 50 cents to \$20.36

*IAG: Reserve Bank of NZ approves **purchase** of Lumley Gen Ins (NZ)

Insurance Australia **Group** Ltd announced it has received approval from the Reserve Bank of New Zealand for the **purchase** of Lumley General Insurance (NZ) Ltd, the New Zealand portion of the Wesfarmers insurance underwriting business.

Market Cap \$13.75b.

IAG up 2 cents to \$5.87

*MSB: Clinical, **m**'fr and **commercial** progress remains on track

Mesoblast Ltd responded to the ASX price query that its clinical, manufacturing and **commercial** progress remains on track. The **company** has a strong cash position as of \$241.1 **million** at March 31 2014.

Market Cap \$1.45b.

MSB up 9 cents to \$4.51

*QAN: 223 pilots of Boeing 767 and 747 surplus to requirements

"The Age" reports Qantas has informed its Boeing 767 and 747 pilots that 223 of them will be surplus to requirements by the end of June as part of its 5000 **company**-wide staff cutting exercise.

Around 80 of them will be offered retraining on various other aircraft - but many of these would require relocation to other cities - in particular Adelaide.

The scheme will offer voluntary redundancy packages of one year's pay for those with more than 15 years with the **company** and less for those with fewer than 15 years.

It's unclear how many will take the package and thus what proportion of the pilots will be forced to leave.

Market Cap \$3b. QAN up 2 cents to \$1.375

*SGM: CFO agrees to step down after 18 years, chairman pays tribute

Sims Metal Management Ltd CEO and MD Galdino Claro announced the **company** has commenced a global search for a new CFO after Rob Larry agreed to step down from the position effective August 21 after an 18 year tenure. The managing director paid tribute. Mr Larry has agreed to stay with the **company** up to the completion of the **company**'s fiscal 2014 financial result and will be available in a consulting capacity up through August 2015.

Market Cap \$2b.

SGM down 1 cent to \$9.76

*VRL: 15c ff sp div/full yr 2014 now to be slightly below previous final

Village Roadshow Ltd announced directors have approved a 15c per share fully franked special dividend, payable on July 17 with a record date of June 26 2014. The 15c per share special dividend represents a total payment to VRL shareholders of approximately \$24 **million**.

Profit guidance

The **company** revised profit guidance issued with the interim report in February that VRL expected it would slightly exceed 2013 NPAT before material items.

However as the result of the generally disappointing box office performance of "Transcendence" and the write off of the \$2 **million** minimum guarantee write off, the forecast 2014 NPAT is now likely to be in line with or slightly below 2013 NPAT. (Jun 5)

Market Cap \$1.19b.

VRL up 22 cents to \$7.47

*WRT: Independent **Board** presentation on why merger is preferred option

Westfield Retail Trust Independent **Board** Committee in a presentation to shareholders outlined its reasons why it considers the merger proposal is the preferred option to maximise long term value for WRT Securityholders and to provide them with the benefits of a larger, more relevant and more strategically flexible investment without diluting the quality of WRT's existing portfolio. Westfield investors also receive a \$850 **million** capital return equivalent to 28.53c per security.

Market Cap \$9.4b. WRT down 2 cents to \$3.16

LARGE CAP RESOURCES

*LNG: ASX grants waiver ahead of meeting to be held on June 16

Liquefied Natural Gas Ltd advised that ASX Compliance Pty Ltd has decided to grant a waiver of ASX Listing Rule 14.7 on the voting exclusion statement in the **company's** Notice of Meeting dated May 15 2014 that relates to the next general meeting of shareholders on June 16, allowing votes by non participating beneficiaries on behalf of nominee holders under certain conditions.

Market Cap \$527m. LNG down 20.5 cents to \$1.36

MID TO SMALL INDUSTRIALS

*AMM: Places 19.5m shares at \$2.05 each

Amcom Telecommunications Ltd announced the placement of approximately 19.5 **million** shares at \$2.05 each to raise \$40 **million** before issue costs. The placement was made to qualified institutional and sophisticated investors and the shares will be issued pursuant to Amcom's existing ASX Listing Ru.e. Euroz Securities Ltd acted as the sole **lead** manager to the placement.

Market Cap \$508m.

AMM down 15 cents to \$2.07

*CGS: Expects loss of \$4.5/5 mln on small decline in rev/outlook positive

Cognition technology **company** Cogstate has advised based on current forecasts the **company** expects to report revenue in the range of \$11.5/12 **million** and a loss in the range of \$4.5/5 **million** for the full year. Revenue has seen a small decline due to the number of new contracts signed during the current financial year and the completion of a number of existing contracts. Despite this the **company** expects revenue to grow in full year 2015 based on the strength of its current pipeline.

Market Cap \$24m.

CGS up 0.5 to 24.5 cents

*SHR: Director passes

John Shearer (Holdings) Ltd advised Mr Allen Elliot Bolaffi passed away suddenly on June 1. Mr Bolaffi, who was appointed to the **board** in November 1995 was highly respected and his experience, passion and skill will be sadly missed. Directors and staff extend their sincere condolences to Mr Bolaffi's family.

Market Cap \$15m.

SHR steady at \$1.20

MID TO SMALL RESOURCES

*ALK: Tomingley **Gold** at design capacity/10,340 ozs au poured April/May

Alkane Resources Ltd at the end of May announced the Tomingley **Gold** Operation had completed ramp up and was operating at design capacity with an annualised rate of 1 **million** tpa throughput. A total of 10,340 ozs of **gold** was poured over the two months of April and May.

Mining operations have continued in the two active pits, Wyoming 3 and Caloma. The closing ROM **ore** stockpile is now over 140,000 tonnes.

As stated in previous announcements reconciliations for mine to mill have been positive for both grade and tonnage for the project to date, giving an uplift of 15% on milled **gold** ounces above the reserve to date. This continues to be monitored to confirm it is a long term trend.

Market Cap \$106m.

ALK down 1.5 to 28.5 cents

*BAB/NGF: T/o panel to take no action after BAB, NGF undertakings

The Takeovers Panel (TOV) said in response to an application dated May 13 from Norton **Gold** Fields Ltd in relation to the affairs of Bullabulling **Gold** Ltd, the TOV

said it was minded to make an unacceptable circumstances ruling, however it has accepted the undertakings given by Bullabulling.

(BAB said 41.8% of shareholders would not accept the takeover offer - without informing the rejecting shareholders how the statements were to be used, nor obtaining their consent, also the statements were no more than their intentions at a certain point of time).

Also Norton **Gold** when saying 6.6% of BAB shareholders supported its bid, comprising shares held by **Gold** Mountains (HK) International **Mining company** and Phoenix **Gold** Fund Ltd, did not say that Phoenix had **sold** some of its shares on market, and that it was associated with **Gold** Mountains and had voting power of 2.5% in its **stake**. (Jun 5)

Market Cap \$24m / \$103m

BAB steady at 7.1 cents / NGF down 0.5 to 11 cents

*LMG: Completes prod of sample for full scale smelter processing in **China**

Latrobe Magnesium Ltd announced it has produced a large sample of beneficiated fly ash (BFA) using its unique hydromet patented process for full scale **commercial** smelter processing in **China**. This sample allows the processing of upwards of 1,000 kg of material through the smelter. The chemistry of the BFA is in line with LMG's normal operating specifications.

It is expected that small samples of the BFA will be sent to **China** in June for processing in July. Arrangements are also in hand to access the facilities at an existing magnesium smelter producer in **China** in order to demonstrate the use of BFA in the full scale production of magnesium metal.

Market Cap \$4.6m

LMG untraded last at 0.5 cents

*NXS/SVW: SVW grants waivers if merger approved/or **buy** NXS out of admin

Nexus **Energy** Ltd advised the Seven **Group** Holdings Ltd and its subsidiary Network Investment Holdings have informed Nexus they will grant waivers in respect of the matter notified in the SDA Crux Notice to the extent required under the Merger Implementation Agreement, Bridge Facility Agreement and Senior Facility Agreement (as announced by Nexus of March 31). This is subject to shareholders approving the proposed Scheme at the Scheme Meeting on June 12. If the merger is not approved, the waivers will not be approved.

If the merger is not approved, in the absence of an alternative proposal Nexus **Board** will be required to appoint administrators to the **company**. SVW has indicated it will look to acquire all of the shares in Nexus or its assets through the administration process or via the enforcement of its rights as secured creditor.

Market Cap \$23m / \$2.38b

NXS steady at 1.7 cents / SVW down 2 cents to \$7.78

*SDL: Appoints Mota-Engil Africa EPC contractor for port and rail

Sundance Resources Ltd announced engineering and construction **company** Mota-Engil Africa has been appointed as the Engineering, Procurement and Construction contractor to build the port and rail infrastructure for the Mbalam-Nabeba **Iron Ore** Project in Central Africa.

Market Cap \$268m.

SDL down 1.3 to 8.7 cents

*SXA: Initial 290 barrels of light crude **oil**/long term prod tests on two US projects

Strata-X **Energy** Ltd, a Denver, Colorado based **company**, announced it is in the early stages of carrying out controlled long term production tests on two horizontally drilled wells through two separate Devonian aged light **oil** resource zones in the Illinois Basin, the Lingle and Grand tower formations. This week the **company sold** first **oil** from the project, totalling 290 barrels of light crude for an estimated \$US95.75 per barrel. It is expected that initial flow rates of 100/200 barrels of **oil** per day will be **commercial**, depending on the ultimate decline rates of the wells.

Market Cap \$31m.

SXA up 1.5 to 34.5 cents

*VMS: Challenge against its Riley DSO project, NW Tasmania dismissed

Venture Minerals Ltd announced the Federal Court challenge to the Commonwealth's approval of the Riley DSO Project in North-West Tasmania has been dismissed. Justice Tracey dismissed all four grounds of appeal and upheld the environmental approval given by the previous Federal Minister in August 2013. Any appeal to Justice Tracey's decision would need to be lodged within 21 days.

Market Cap \$32m.

VMS down 1 to 11 cents

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