

**HD MARKET EXPECTED TO FALL SHARPLY**

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The S&P/ASX200 is likely to close sharply lower.

Markets fell in Europe, the UK and US last night.

On the NYSE where 3234 issues traded there were 596 issues higher, 2,549 down and 89 unchanged. On Nasdaq where 2797 issues traded there were 526 issues higher, 2,177 down and 94 unchanged.

\*Trading on the S&P 500 was 43% above the 30 day average.

Metals were mostly lower, crude rose, **gold** surged. The \$A is at 93.55US c, down about 20 points from last evening.

"Market may fall about 120 points" - Gerald Stanley

Gerald Stanley, a Fibonacci chartist, standing in for Ben Faulkner who is delayed, said, "In my mind the top is in, demonstrated yesterday when the intra day was the highest high since 2008 and the close failed to hold above the previous highest close of April 28 this year, which was 5336.1.

"This, plus markets in Europe and the US falling last night on negative news leads me to forecast a fall to the low of July 1, that is 5370.

"My call is therefore a low of 5370, close of 5400, down 120 points'.

The S&P/ASX200 closed up 3.5 points to 5522.4 last evening.

July 18. Good morning.

\*In eastern Ukraine, a Malaysian passenger jet was shot down by a missile in the Donetsk region on a flight from Amsterdam to Kuala Lumpur. All 280 passengers and 15 crew were feared dead, as yet unconfirmed. The Ukraine government said the pro-Russian rebels had shot down the plane, denied by them. The US imposed further sanctions on Russian banks, the **energy** sector and the defence industry.

\*Israel invaded Gaza in a ground assault. Israel says it has carried out more than 1,960 attacks on Gaza since 8 July, while militants have fired some 1,380 rockets at Israel. The UN says at least 1,370 homes have been destroyed in Gaza and more than 18,000 people displaced in recent hostilities. It says most of those killed in Gaza have

The ground offensive follows attempts in Cairo to negotiate a new ceasefire.

\*In **China**, construction **company** Huatong Road & Bridge **Group** Co warned it may default on both a 400 **million** yuan (\$64.5 **million**) bond principal and interest payment. The bond matures next week. It would be the first private **Chinese company** to default.

**China's** first domestic bond default by Shanghai Cahori **Solar Energy** Science & Technology Co, occurred in March.

Bloomberg quoted Standard & Poor's managing director of corporate ratings Christopher Lee who said builders such as Huatong are vulnerable because a downturn in the **property** market has meant real **estate** developers have taken longer to make payments to builders.

\*47% of investors analysts and traders in a poll conducted on July 15 and 16 in a Bloomberg global poll said the **equity** market is close to unsustainable levels, while 14% already see a bubble.

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 lower.

AWC fell 1c on 56,000 shares, Amcor rose 2c on 17,000 shares, RIO fell 18p on 1.75m shares, BHP fell 35c on 3.7m shares, News fell 15c on 700,000 shares, Westpac fell 13c on 69,000 shares. Telstra was steady on 150,000 shares.

Resmed fell 3c on 8.6m shares.

PSivida fell 25c on 78,000 shares. Prana rose 2c on 110m shares.

In London Anglo American fell 25p to 1,539p on 4.5m shares, Aquarius was steady at 23.25p on 280,786 shares, BskyB rose 7.59p to 897.59p on 6.2m shares, BHP fell 24.8p to 2,009.2p on 5.5m shares. Henderson fell 1.9p to 244.5p on 1.36m shares. RIO fell 19.17p to 3,315.33p on 4m shares.

Trading points:

\*PBT: Positive response over time from Alzheimer's Phase 2 IMAGINE

Prana Biotechnology Ltd announced Prof Colin Masters, the Florey Institute of Neuroscience and Mental Health, University of Melbourne will include data from Prana's Phase 2 IMAGINE and EURO trials in his presentation at the Alzheimer's Association International Conference in Copenhagen Denmark (last night, our time).

The presentation is entitled, "How to change and monitor the rates of A6 amyloid accumulation and cognitive decline in Alzheimer's disease".

The IMAGINE trial top line draft results were released on March 31. Further sub analyses of the top line imaging data have been performed, including PiB-PET, MRI and FDG analysis of the effects of a once daily, 250 mg dose of PBT2 over 12 months. IMAGINE enrolled 42 patients, 27 in the PBT2 **group** and 15 in placebo. In contrast to published literature, the average amyloid burden in the placebo **group** fell during the trial. Prana conducted a sub analysis to better understand the behaviour of the placebo **group**.

Prof Masters on further investigation found the subgroup of PBT2 treated patients with a baseline of SUVR above 2.5 had a significant decrease in amyloid burden that was not observed in participants on placebo nor PBT2 participants with a SUVR less than 2.5.

Separately Prana confirmed the top line finding that there is a very promising trend towards the preservation of brain volume (as measured by MRI) in PBT2 treated patients compared to placebo. (Jul 17, 16.02 pm)

\*Prana Biotech surged in the US last night following the report.

\*Japan authorises restart of two nuclear reactors

Media services report overnight that Japanese authorities have declared that two nuclear reactors meet new standards put in place after the 2011 Fukushima disaster and are safe enough to be restarted, paving the way for the revival of the country's atomic **energy** industry.

As Japan swelters through another summer of electricity conservation and bills for expensive gas and **coal** imports, Prime Minister Shinzo Abe has been pressing for an end to the nuclear shutdown imposed after an earthquake and tsunami caused a catastrophic meltdown at the Fukushima power plant.

The Nuclear Regulatory Authority, in a 418-page report released Wednesday, gave Kyushu Electric Co. preliminary approval to restart its Sendai plant in the southern part of the country.

Our Week's Special, "RUL: Well Known And Well Regarded **Mining** Technology And Advisory **Company** With Time And Money Saving Technologies For Large **Mining** Houses, Although Affected By The Current **Mining** Industry Downturn, Has Made The Hard Decisions And Paid Its Dues. Expects Upside From Now On As Product Developments Continue" posted separately.

#### Overseas

The DJIA closed down 161.39 points to 16,976.81.

S&P 500 fell 23.45 points to 1,958.12.

NASDAQ fell 62.52 points to 4,363.45.

US 10yr bond yields fell 7.5 points to 2.46%

The US\$ fell 49 points to 101.24 Yen.

The Euro rose 3 oints to 1.3525US c.

The Yuan rose 2 points to 6.2038/\$US1.

FTSE 100 fell 46.35 points to 6,738.32. European markets closed lower.

The Nikkei Dow last evening closed down 9.04 points to 15,370.26.

Shanghai SE Comp IX closed down 11.69 points to 2,055.59.

#### 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 \$13 to \$7,065/fell \$5 to \$A7552. Stockpiles fell 600 tonnes to 158,575 tonnes.

\*Industrial & **Commercial** Bank of **China** applies for right not to settle a L of C

FastMarkets reported at least one Western bank, Industrial & Commerical Bank of **China** (ICBC) has stopped discount financing of **copper** into **China**. It has applied for the right not to settle a letter of credit. SocGenerale respected dealer Robin Bhar said, "the market recovered from the last two scares with no lasting impact; in fact, prices have rallied \$600 from the March lows. This is now the third shock .. it may be seen as setting a precedent. The fact that you could open a LC and then it is cancelled - that will cause some ructions'.

Aluminium rose \$17 to \$1,989/gained \$21 to \$A2126. Stockpiles fell 8,775 tonnes 4,967,425 tonnes.

FastMarkets reported amid tight supply, most market participants in Europe expect annual contract talks for 2015 to kick off earlier than the usual mating season for aluminium supply contracts that starts during Metal Bulletin's annual conference, to be held in Abu Dhabi over September 22/27 this year. Spot delivered duty paid premiums in Germany have climbed to \$820/850 per tonne over LME cash prices with 30 day payment terms from 4780/800 one month ago. The rates have surged more than 70% since September when they were at \$475/495.

Nickel fell \$100 to \$19,200/fell \$83 to \$A20,524. Stockpiles rose 2,364 tonnes to 310,782 tonnes.

Zinc fell \$1 to \$2,302/rose \$2 to \$A2461. Stockpiles fell 350 tonnes to 657,375 tonnes.

**Lead** fell \$14 to \$2,190/fell \$12 to \$A2341. Stockpiles rose 175 tonnes to 213,550 tonnes.

Tin rose \$25 to \$22,100/gained \$54 to \$A23,624. Stockpiles fell 35 tonnes to 11,775 tonnes.

**Iron Ore** fell 50c to \$97.50/fell 41c to \$A104.22.

WTI crude rose \$1.99 to \$103.19/gained \$2.25 to \$A110.30.

Brent Crude rose 72c to \$107.89/gained 91c to \$A115.33.

Spot **gold** rose \$20 to \$1,319/gained \$23.01 to \$A1410. Spot silver rose 41c to \$21.15/gained 46c to \$A22.61. Spot platinum rose \$20 to \$1,500/gained \$23 to \$A1603. Spot palladium rose \$11 to \$884/gained \$13 to \$A945.

#### Overseas eco news

In US eco news, jobless claims for the week ended July 12 fell by 3,000 to a seasonally adjusted 302,000, the Labor Department reported. It was the second lowest reading so far this year and vs 310,000 new claims expected.

The four week moving average of claims fell by 3,000 to 309,000 the lowest level in seven years.

The number of workers continuing to draw unemployment benefits fell by 79,000 to a seasonally adjusted 2.51 **million** in the week ended July 5.

\*US home construction fell 9.3% in June to a seasonally adjusted annual pace of 893,000 and the weakest number since September 2013. It was also the second consecutive monthly drop, the Commerce Department reported. The June decline was driven by a nearly 30% decline in the South, while in the midwest construction was up 28% and in the Northeast was up 14%. Bad weather was thought to play a large part in the fall.

\*In the EU CPI and core CPI for June both came in as expected at 0.5% and 0.8% as expected.

#### Overseas **equity** news

\*In the US of the Dow 30 there were 3 stocks higher and 27 down.

United Health, up \$1.35 of 1.61% to 85.11 led the way higher followed by Microsoft, up 45c or 1.02% to \$44.53 after Microsoft's new CEO Satya Nadella announced the **group** will cut 18,000 jobs, mostly from the Nokia brand. IBM was the other riser, adding 13c.

On the downside, Intel (yesterday's best stock) led the way down, shedding 95c or 2.74% to \$33.70 followed by Johnson & Johnson and 3M.

Morgan Stanley beat estimates for both earnings and revenue.

Mattel fell 6.6% after reporting lower growth than analysts had expected. Time Warner rose another 3.6% after rising 17% yesterday following its rejection of Rupert Murdoch's takeover offer.

\*The VIX index, sometimes called "the fear index" rose 36 points to its highest level since April 2015.

\*In Europe, national benchmarks fell in all 18 western European markets except Greece and Iceland. Novartis fell 1.7% to Swiss Fr 79.75 after earnings excluding one offs rose 3% to \$3.98 **billion** or \$1.34 a share, below analysts expectations.

Swedish metal cutting tool maker Sandvik fell 4.1% to Swedish Kr 88.75 after posting second quarter operating profit of SKr2.56 **billion** vs SKr2.69 bln expected.

Banco Espirito Santo fell 17.9% to Euro 0.41.9c. Telecom Italia fell 14.1% to Euro 0.87.2c. Telefonica will cut its **stake** in Telecom Italia by more than one third following the **sale** of Euro 750 **million** of its convertible **bonds**.

Product inspection major SGS SA fell 2.9% to Swiss Fr 2,074 after reporting lower first half earnings as the **mining** services market deteriorated and the strength of the franc reduced the value of sales from abroad. SAP rose 2.4% to Euro 59.37 after sales rose 4% to Euro 3.48 **billion** vs Euro 3.45 **billion** expected while operating profit rose 4% to Euro 1.24 **billion**, vs Euro 1.26 **billion** expected.

Fiat rose 1.4% to Euro 7.71 on a report discussions had taken place on a potential takeover by Volkswagen. A Volkswagen official said takeovers aren't on the agenda at the moment. Volkswagen fell 2.2% to Euro 185.

\*In the UK, BP fell 1.9% to 496.8p. It owns almost 20% of Russia's Rosneft. Mothercare fell 8.8% to 255p after reporting sales fell 1.2% in its home market after it reduced discounting. Sports Direct International fell 2.2% to 697.5p after full year pretax profit missed analysts' estimates. Barclays fell 2.7% to 210.2p on speculation that the US Senate committee will next week investigate products the bank **sold** to a hedge fund.

ITV rose 6.2% to 195.1p after Liberty Global bought a 6.4% **stake** from BskyB at 185p a share.

In other news

Train crash in France, 9 injured seriously

A high-speed TGV train on the Pau-Bayonne line was transporting 178 people when it crashed into a regional TER train carrying 70 passengers.

Initial reports indicate the TGV train was stopped on the tracks and restarting when the crash occurred near the town of Denguin.

At least 25 people were reported injured, nine of them seriously.

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