

**HD MARKET SLIGHTLY WEAKER AT MIDDAY**

**BY** Jenny Prabhu

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The S&P/ASX200 is down 11.9 points to 5178.1 at midday on light volume worth \$1.2 **billion**. There are 364 issues higher and 458 down. The SPI Futures is down 17 points to 5126 points on light volume of 9946 contracts. Aussie 10 year bond yields are steady at 3.99%. The \$A is up 15 points to 87.65US c.

\*The banks have contributed 9 negative points to the index, resources have contributed 3.4 negative points, property trusts have contributed 0.2 positive points, Retailers have contributed 0.6 negative points and Telstra has contributed 0.7 positive points.

\*The Nikkei Dow futures is down 120 points to 14,730 points, Shanghai physical and the Hang Seng futures are closed on holiday. S&P futures is up 3.55 points to 1780.20, Nasdaq futures is up 7 points to 3521 points, Dow futures is up 30 points to 15,660 points.

**Gold** futures are up \$4.30 to \$1244.10. Crude futures are down 52c to \$96.97.

\* The official Purchasing Managers' Index (PMI) for **China** dipped to 50.5 in January from December's 51, in line with market expectations.

Analysts cautioned that the ongoing Lunar New Year holiday, which began on January 31, probably dragged on output as manufacturers shut up shop for **China**'s biggest annual holiday, Reuters reported.

Our profit reporting season seems to have got off to an earlier than usual start, with JB Hi Fi (who had pre-announced exactly the same numbers on January 18) announcing interim results.

"Mondayitis" is likely to prevail in the absence of any more major reports and with **China** and several other Asian neighbors on holiday except for Japan, activity in the Asian day is likely to be limited.

"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.

#### ECO NEWS

The ABS reported for December 2013 the trend estimate for total dwellings approved rose 1.5% in December and has risen for 24 months.

The seasonally adjusted estimate for total dwellings approved fell 2.9% in December and has fallen for three months.

The trend estimate for private sector houses approved rose 1.1% in December and has risen for 13 months.

The seasonally adjusted estimate for private sector houses fell 3.4% in December after rising for three months.

The trend estimate for private sector dwellings excluding houses rose 2.2% in December and has risen for nine months.

The seasonally adjusted estimate for private sector dwellings excluding houses fell 1.2% in December and has fallen for three months.

The trend estimate of the value of total building approved rose 3.1% in December and has risen for 23 months. The value of residential building rose 2.2% and has risen for ten months. The value of non-residential building rose 4.3% and has risen for five months.

The seasonally adjusted estimate of the value of total building approved rose 6.5% in December following a fall of 3.9% in the previous month. The value of residential building rose 3.4% following a fall of 1.5% in the previous month. The value of non-residential building rose 11.2% following a fall of 7.3% in the previous month.

Job ads in Australia fell in January for the third consec month

ANZ reported jobs fell in January for the third straight month, but the pace of decline moderated, taking the year-on-year rate of fall to -8.9%. This was markedly slower than the year-on-year fall of over 15% seen in most months of 2013. In trend terms, job ads contracted by a modest 0.3% in January, which was the slowest rate of monthly decline since early 2012.

ANZ said it remains cautious about reading too much into job ads trend around the turn of the year due to changes in timing of trading days around the holiday. But ANZ still said it expects to see the beginnings of a moderate upturn in advertising. There were some positive signs of improving labour demand in a number of areas, ANZ said, adding, despite declining quite sharply in January, labour demand in New South Wales had been trending modestly higher according to a number of different job ads and vacancies measures. Job ads in Western Australia and the Northern Territory had improved in trend terms in recent months, following significant weakness over the past two years or so as **mining** activity moderated and job advertising in Victoria fell, but at a much slower pace.

Home prices across Australia's major cities rose 1.2 % in January, from the previous month, extending a strong run that has boosted household wealth and confidence.

Figures from property consultant RPData-Rismark showed overall dwelling prices were up 9.8 % compared to January last year, led by a 13.4 % jump in Sydney. Prices in Melbourne followed with a gain of 11.9 % while Perth saw an increase of 6.9 %.

Home values were now 4.8 % higher than their previous peak in October 2010.

#### TOP STOCKS

\*JB Hi Fi is up 39c to \$18.39 on 656,184 shares after its interim profit result, below.

\*ERM Power is down 6c to \$2.51 on 100,000 shares after its profit, also signalling possible bid for MacGen, below.

Among the financials, AMP is down 5c to \$4.22 on 3.29m shares, ANZ is down 32c to \$29.81 on 2.8m shares, CBA is down 19c to \$74.04 on 825,935 shares. NAB is down 14c to \$33.11 on 1.13m shares, Westpac is down 7.5c to \$30.79.5 on 1.86m shares.

Among the TMT's Telstra is up 1.5c to \$5.15.5 on 9.1m shares, Telecom NZ has gained 1c to \$2.18 on 727,846 shares, SingTel is up 1c to \$3.13 on 428,250 shares.

Among the resources BHP is down 13.5c to \$36.43.5 on 2m shares, RIO is down 37c to \$65.27 on 398,223 shares, Fortescue is down 7.5c to \$5.25.5 on 4.1m shares, Atlas is steady at \$1.01 on 4m shares. OZL is up 5c to \$3.57 on 392,132 shares.

Among the oils, Woodside is up 6.5c to \$37.44.5 on 400,593 shares. Santos is up 9.5c to \$13.43.5 on 863,617 shares, **Oil** Search is up 4c to \$8.07 on 840,437 shares.

Among the golds, Newcrest is up 3c to \$9.68 on 816,200 shares, Northern Star is up 1c to 89c on 8165,200 shares, Kingsgate is down .8c to \$1.11.7 on 296,447 shares. Oceana is up 4c to \$2.07 on 134,903 shares.

#### AT THE SMALLER END

\*Country Road is untraded, last at \$4.83 after its profit result

\*ColorPak is down 10c to 75c on 216,000 shares after its profit result

\*Diploma Group is up a half cent to 3.7c on 9.7m shares after its profit result.

\*Papillon is up 5.5c to 90.5c on 32,296 shares on its major **gold** project in Mali.

\*Bionomics is down 4.5c to 67.5c on 499,523 shares despite announcement below.

#### NEWS OF THE DAY

\*In South Korea the PMI edged up to its highest in eight months, a further sign of growth after surprisingly upbeat industrial output figures last week.

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

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

#### LARGE CAP INDUSTRIALS

\*JBH: Int profit up 10% 55c ff div, outlook positive

JB Hi Fi Ltd announced for the half year ended December 31 NPAT was up 10% to \$90.3 **million** on revenue up 6/8% to \$1.94 **billion**.

A 55c fully franked interim dividend was announced up 5c on the previous corresponding period (pcp). Record date is February 14.

NTA backing per security is \$2.31 vs \$1.59 for the pcp.

Basic eps 90.51c vs 83.01c for the pcp.

Diluted eps 89.22c vs 83.01c for the pcp.

CEO Terry Smart said in the report the group has seen positive comparable sales across the majority of the **company's** hardware categories, with the successful introduction of home appliances and strong growth in the commercial division. Gross margins have also improved and costs continued to be well controlled, all contributing to solid NPAT growth for the half year.

The **company** had 182 stores (169 in Australia and 13 in New Zealand). During the half year the **company** opened five new JB Hi-Fi stores and 1 new JB Hi-Fi HOME stores all in Australia and closed the final Clive Anthony's store. The **company** expects to open eight new stores in 2014 and maintains its stated target of 214 stores.

Online sales continue to grow, up 15.4% in first half 2014, and represent approximately 2.2% of total sales.

#### Outlook

For the full year the **company** expects total sales to rise by between 6/8% on the previous year and NPAT to be up 8.3/10.8% on the prior year.

**Company** guidance: JBH had pre-announced its interim results on January 28.

\*A leading broker has an "add" on JBH, lifted from a "hold" on January 9 after the first quarter result. The broker said it expects JBH will benefit from major product launches in gaming, a category that has been under pressure in recent years.

\*WOR: Rosenberg WorleyParsons wins Martin Linge Norwegian N Sea contract

WorleyParsons Ltd announced Rosenberg WorleyParsons AS has been awarded a Hook Up and Commissioning Contract by Technip for the Martin Linge platform operated by Total E&P Norge AS in the Norwegian North Sea. The estimated contract revenue to Rosenberg WorleyParsons is Nkr500 **million** (\$US92 **million**).

Onshore preparations will start immediately with mobilization to France and subsequently South Korea.

This is the third Hook Up and Commissioning contract Rosenberg WorleyParsons has won in recent years.

#### LARGE CAP RESOURCES

\*BPT/ICN/Other: Significant petroleum discovery at Redland-1

Icon **Energy** Ltd advised the operator of ATP 855 Beach **Energy** Ltd has on behalf of the j/v (BPT46.9% and operator, ICN 35.1%, Chevron Australia 18%) submitted a notice of a petroleum discovery at Redland-1 to the Department for Natural Resources and Mines. An interpretation of the wireline log data indicates the target interval to be gas saturated which is supported by mud gas readings of up to 800 units. Redland-1 is currently being cased pending subsequent hydraulic stimulation and flow testing as part of a multi well stimulation campaign beginning in the third quarter of 2014.

\*CDU: Resumes control of Cloncurry User-Rail load facility

CuDeco Ltd announced it has resumed control of 100% of the Cloncurry User-Rail Load Facility to be constructed outside Cloncurry in NW Queensland following Glencore-xstrata and MMG's recently announced withdrawal from the j/v.

#### MID TO SMALL INDUSTRIALS

\*BNO: Positive results for BNC105 for ovarian cancer in clinical trial

Bionomics Ltd announced it has received positive results in the Phase 1 clinical trial of its cancer drug candidate BNC105 in women with ovarian cancer.

After completing the enrolment of 15 patients for the Phase 1 portion of the trial during 2013 data to date has found 10 of the patients have achieved a positive response according to the RECIST 1.1 and/or GCIGF CA125 criteria.

The patients were treated with BNC105 in combination with the current standard therapy of carboplatin and gemcitabine.

One patient has completed the protocol prescribed 12 cycles of treatment comprising six cycles of combination therapy and six cycles of BNC105 monotherapy. This patient has experienced clinical benefit and has continued on BNC105 monotherapy since. 12 of the 15 patients completed six cycles of combination therapy and commenced with BNC105 monotherapy. Three patients are currently continuing with treatment.

Bionomics managing director Dr Deborah Rathjen said it was a very positive reinforcement of what the **company** expects for BNC105. Ovarian cancer is the fifth leading cause of cancer related deaths in women and the **company** is extremely grateful to the patients who participated in the study.

\*CKL: Int NPAT - 74%, div 1.75c ff no DRP, full yr NPAT exl. one offs steady

Folding carton specialist packaging materials **company** Colorpak Ltd for the half year ended December 31 2013 announced net profit after tax down 74% to \$1.226 **million** on revenue down 11.1% to \$83.440 **million**. A 1.75c fully franked interim dividend was announced, record date February 28. No DRP available.

NTA backing per security is 31.4c vs 29.7c for the previous corresponding period (pcp)

Basic and diluted eps is 1.5c vs 5.79c for the pcp.

The group has \$16.068 **million** in cash and immediately draw-able overdraft and bill facilities at Decemehr 31 2013 vs \$18.288 **million** at June 30 2013.

With the exception of payments on the trade finance facility there are no debt repayment requirements on the group's core bill facilities before September 2015.

#### Outlook

The **company** said taking into account rationalisation benefits in Victoria and the plans to address factory inefficiencies, the outlook for NPAT after exclusion of \$2.4 **million** in one off restructure costs, is expected to be in line with the pcp.

\*CTY: Int NPAT up 71.7%, div 17.9c ff, 2nd half profit to be up at slower pace

Country Road Ltd for the half year ended December 28 announced total sales were \$422 **million** up 6.6% on the previous corresponding period (pcp) with total sales in Australasia up 5.5% to \$379.1 **million** and in South Africa up 13.6% to \$42.9 **million**.

total profit after tax rose 71.7% to \$38 **million** vs the previous corresponding period (pcp)

EPS rose 42.5% to 36.6c vs the pcp.

A 17.9c fully franked interim dividend was announced, record date is February 12.

#### Outlook

The **company** said the retail landscape in Australasia and South Africa in the second half of this financial year is likely to remain highly competitive with consumer and business confidence remaining cautious and the arrival of more new market entrants in Australia.

"Against this backdrop we expect the group to deliver further improved results for the remainder of the financial year but at a lower growth rate now that comparative results include Witchery and Mimco in Australasia".

**Company** guidance: Country Road Ltd on January 16 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.

\*DGX: Interim NPAT up 239%, no div, outlook positive

Diploma Group Ltd for the half year ended December 31 2013 announced net profit after tax was up 239% to \$1.903 **million** on revenue up 34% to \$111.630 **million**.

No interim dividend has been proposed, the same as for the prior corresponding period (pcp).

NTA backing per security is 4c vs Nil for the pcp.

Basic and diluted eps is 0.6c vs 0.37c for the pcp.

Cash in hand \$13.012 **million**.

During the period the construction division secured new construction projects totalling \$21 **million**. Net debt reduced by \$9.174 **million**. the Development division secured additional project specific finance for the Abode (Campbell St) project.

#### Outlook

Directors remain confident the Group's full year result will continue to improve and is on target to meet full year guidance of EBIT of \$7 **million**.

\*EPW: U/lying profit up 209%, div 6c ff, DRP at no disc/2014/15 outlook

ERM Power Ltd for the half year ended December 31 2013 announced a net profit after tax down 50% to \$13.263 **million**. On revenue up 36% to \$970.090 **million**.

Underlying profit after tax attributable to members was up 209% to \$32.955 **million**.

It contained a number of significant items was \$33 **million** compared to \$19.6 **million** in the period including various items that were not part of general **operations** including a significant tax benefit in the current period resulting from the Oakey minority interest buyout. Excluding these underlying NPAT was \$6.9 **million** vs \$14.4 **million** for the previous corresponding period (pcp).

EBITDAIF (earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains/losses on financial instruments designated at fair value through profit and loss, including profit of associate) was down 15% to \$33.228 **million**.

A fully franked interim dividend of 6c was announced, ex date is February 6, record date is February 12. The DRP is available at no discount.

NTA backing per security is 137c vs 115c for the previous corresponding period (pcp).

Basic and diluted eps is 6.11c vs 15.4c basic and 15.02c diluted for the pcp.

The **company** said in the report electricity sales continue to grow strongly, up 25% to 6.5TWh for the period from 5.2TWh for the pcp. EPW achieved growth in sales of 58% in NSW and 43% in Victoria, and has broadened its focus to include SME customers, now with more than 12,500 contracted small business sites. Record forward sales contracts are in place.

As of December 31 forward contracted electricity sales for the next two financial years were a record 24 TWh, vs 20TWh at December 31 2012 and 19TWh at June 30 2013.

#### Outlook

Group EBITDAIF guidance for the full year is unchanged at \$79/86 **million**. For the half year, EBITDAIF which contained a number of significant items, was down for the first half but is on track for the full year.

The **company**, the 4th largest seller of electricity in the National electricity Market, said in preparation for a possible bid by EPW for the Macquarie Generation assets in NSW, the **company** has decided to issue early guidance for 2015 on a stand alone basis excluding any outcome on a possible Macquarie Generation bid. EPW's "business as usual" 2015 EBITDAIF guidance is \$102 **million**/ \$106 **million** and underlying NPAT guidance is \$36/39 **million**.

Analyst comment: on January 21 a leading broker, valuing MacGen at \$1.4 **billion** said the **acquisition** would be game changing for EPW. However with a significant capital raising likely needed to fund the transacton (\$A320/430 **million**) and a higher cost of funding compared with competing bidders, we believe it will be tough for EPW to get over the line".

Our Week's Special dated June 10 2011. EPW was trading at \$1.61.5.

#### MID TO SMALL RESOURCES

\*RMG: Three new **copper** and **copper-gold** mineralised anomalies at Tuina

RMG Ltd executive director Peter Rolley announced the **company** has discovered three new **copper** and **copper-gold** mineralised anomalies within its Tuina project in northern Chile. The three new Cu and Cu-Au anomalies have been discovered by recently completed stream sediment and rock chip sampling programs.

Surface rock chip grades of up to 15 gpt Au, 4% Cu and 104gpt Ag have been discovered at the new **copper-gold** mineralised zone, La Reca Anomaly C), a totally new discovery of **copper gold** mineralisation with characteristics similar to Chilean IOCG deposits.

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