

HD Funtastic Stabilizing But Sustained Improvement Needed: Bell Potter -- Market Talk

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0000 GMT [Market Talk]--The new management team at toy and sporting good distributor Funtastic (FUN.AU) appears to have moved quickly to stabilize the business but Bell Potter says it's waiting for evidence of a sustained improvement. It retains a hold recommendation and trims its target to A\$0.071 from A\$0.077. FUN last traded at A\$0.065. Despite a weak result in fiscal 2014, Bell Potter says its EPS estimates remain largely unchanged. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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2356 GMT [Dow Jones] Following a further fall in prices at the overnight GlobalDairyTrade auction, ANZ has reduced its forecast milk payout to farmers for the 2014-15 season to NZ\$4.85 kg of milk solid from NZ\$5.25 kilo of milk solid, says ANZ in its note. It adds the new forecast still assumes "a modest bounce back in global prices." ANZ says that a "lower dairy price has significant implications for the wider economy and monetary policy. Moves in the OCR look a long way off, with our call for the next move to arrive in March now under review." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

19:52 EDT - A continuing legal wrangle threatens to delay or even stop important work under NASA's recent multibillion-dollar awards for commercial spacecraft intended to ferry U.S. astronauts into orbit. Boeing and Space Exploration Technologies emerged as winners, but Sierra Nevada filed a protest that could drag on for months. In the interim, NASA has issued a stop-work order to Boeing, which has completed all the milestones required by its earlier preliminary pact and is mulling whether to proceed without a new signed agreement. SpaceX, meanwhile, received the same order. But it still has some milestones to meet under a previous NASA contract and presumably will continue receiving some federal funding while the protest is pending. The irony is that NASA's goal has been to jump-start development of manned spacecraft with the latest awards. (andy.pasztor@wsj.com)

2327 GMT - Australian shares are set to fall when the market opens after U.S. stocks tumbled to their lowest levels since mid-August. **China**, Australia's biggest trading partner, is still on a national holiday. IG forecasts an early fall of 42 points to about 5292 for the ASX 200, handing back the previous day's gains. Australian trade balance numbers are due before midday, and the market will be looking at exports to see if the slide in commodities prices can be offset by supply volumes, market strategist Evan Lucas says. "Strength here may add upset to materials and **energy** plays." The ASX 200 rose 0.8% to 5334.1 on Wednesday. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2324 GMT (Dow Jones) -- Billabong (BBG.AU) is making progress on its turnaround plans and is on the path to revenue growth and Ebitda margin expansion, J.P. Morgan says. It resumes coverage of BBG with an overweight stance and A\$0.87/share target, having previously had the stock at underweight and A\$0.52. Despite its recent strong share price performance and the risk of an only modest pace of Ebitda recovery in fiscal 2015, the brokerage suggests the risk reward for investors is attractive. BBG last traded at A\$0.695. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

23:24 GMT [Dow Jones] Business consultancy UXC's (UXC.AU) **acquisition** of information and cyber security **firm** Saltbush Group should put UXC in a good position with the government market, says J.P. Morgan. Cyber security has been identified by the government as a high priority national security issue, the broker notes. "Though fairly small, this **acquisition** adds to UXC's broad capabilities," the broker says. Retains Overweight rating. (rebecca.thurlow@wsj.com; @beckthurlow)

Morningstar slashes its fair-value estimate for Atlas **iron** (AGO.AU) to A\$0.30/share from A\$1.10 to reflect a cut in its longterm **iron-ore** price forecast to US\$75/ton from US\$90. The lower price

assumption has a material impact on earnings and value estimates for all **iron-ore** producers but particularly those with higher costs, analyst Mathew Hodge says. He notes AGO is capital constrained and is increasingly unlikely to be able to fund efforts to become an integrated mine, rail and port operator. Still, AGO's large resource base and port allocation could make it a takeover target, he says. Morningstar has a reduce recommendation. AGO last traded at A\$0.405. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

19:24 EDT - Following a Tuesday federal-court decision that dealt a blow to big investors in Fannie Mae (FNMA) and Freddie Mac (FMCC), some hedge funds have been reaching out to their investors. Claren Road Asset Management, a New York hedge-fund **firm** with a big investment in preferred shares, sent a message to investors saying, "While it's a setback, there are still many avenues we are pursuing. In the next few days, our investment team will be evaluating more information." Because of its FNMA and FMCC trade, Claren Road is starting October down several percentage points, according to an investor. A spokesman declined to comment. (juliet.chung@wsj.com)

19:23 ET [Dow Jones] Wednesday marked notable firsts at two well-known law firms, as women took the reins for the first time in each **firm's** history. Litigator Jami Wintz McKeon assumed the chair role at Morgan, Lewis & Bockius LLP, which has grown from its Philadelphia roots to about 1,350 lawyers in 25 offices worldwide. It could expand further on her watch, if merger talks with Boston's Bingham McCutchen LLP result in a combination. White-collar litigator Therese Pritchard is taking over at Bryan Cave LLP, where she is also the first chair to be based outside the **firm's** historic home town of St. Louis. While women are still underrepresented in law **firm** management, both join a small but growing club of female leaders. (Jennifer.smith@wsj.com)

6:48 p.m. ET -- Pershing Square Capital Management LP, which bought nearly 10% stakes in the common shares of Fannie Mae (FNMA) and Freddie Mac (FMCC) last November, was under water on its investment after the sharp drops in FNMA and FMCC Wednesday. William Ackman's hedge-fund **firm** lost more than \$175 **million** on paper from a day earlier, when the shares closed above the **firm's** average buying cost. The loss is rare for Pershing Square this year, whose strong performance--through June it was up 25% after fees--has made it one of the most profitable hedge-funds of 2014. Pershing Square filed lawsuits against the federal government on behalf of common shareholders in FNMA and FMCC; those lawsuits are ongoing. (Juliet.chung@wsj.com)

Buying up shares of Fannie Mae (FNMA) and Freddie Mac (FMCC) has been a popular hedge-fund trade, with the funds essentially betting courts would strike down the government's decision to send nearly all profits generated by the mortgage-finance giants to the U.S. Treasury. That turned back to bite those firms Wednesday, when the price of both common and preferred shares plunged following a federal-court decision. Hedge-fund investors say they expect October returns from some hedge funds that have made that bet to be weighed down by losses. (Juliet.chung@wsj.com)

18:28 EDT - Royal Bank of Canada (RY.T) drops a plan to spin off a lucrative proprietary-trading business into a hedge fund after regulators rejected the move, people familiar with the matter say. RBC executives had approved an unusual plan to invest about \$1B into a hedge fund managed by some of the bank's top New York proprietary traders, one of the people says. The SEC and the Fed objected to the plan "late in the game," citing the Volcker Rule, according to a person familiar with the negotiations. The bank abandoned plans for the spinout, a spokesman confirms. The scuttled plan is the latest reminder of the changes regulators have forced onto the financial sector, and banks in particular, since the global markets meltdown. (rob.copeland@wsj.com; bradley.hope@wsj.com)

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