

HD Fortescue Lacks Positive Catalyst, Cut By CS to Neutral -- Market Talk
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2247 GMT [Dow Jones] Fortescue Metals (FMG.AU) also cops a downgrade from Credit Suisse, to Neutral from Outperform, with a target price of A\$5.00 from A\$7.00 previously, on the lower **iron ore** price and expanding quality discount. "The share price has run ahead of our downgrade on the street's expectation of still lower **iron ore** prices, and we expect these concerns to continue for the next 12 months," the broker says. "With this environment, we cannot see any catalyst to lift the share price." It expects a subdued June quarter production report on July 17, with the received price for **ore** impacted by temporary production of low quality **ore** at its Kings mine, and costs remaining relatively high as Kings mine ramp-up costs wash through. FMG last A\$4.39. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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18:26 EDT - Credit Suisse downgrades Arrium (ARI.AU) to Underperform from Neutral and slashes its target price to A\$0.61 from A\$1.25 as it makes material earnings and value downgrades driven by lower **iron ore** price assumptions. "Current book value's difficult to support in the context of our view on the outlook for **iron ore**," the broker says. "Dividends appear unsustainable, but a hard line bullish view on **iron ore** by Arrium has driven commitment to dividends despite elevated debt." Balance sheet concerns are elevated, the broker warns. ARI last at A\$0.87. (david.rogers@wsj.com; @DavidRogersWSJ)

18:13 EDT - EUR/USD is likely to be dollar-driven in the next 24 hours with a spate of US data due out later in the global day, says ASB Bank head of institutional sales Tim Kelleher. US new homes sales, consumer confidence and Richmond manufacturing index are all due out early in US trading. He adds the situation in Iraq continues to pose a risk and if things escalate, that could be USD-positive. The pair is at 1.3603. Kelleher puts support at 1.3575 and resistance coming in at 1.3625. (lucy.craymer@wsj.com; @lucy_craymer)

17:55 EDT - Home builder William Lyon Homes' (WLH) pending \$520M **acquisition** of closely held peer Polygon Northwest will make the combined entity the 21st largest US builder, based on Builder Magazine's 2013 rankings. Last year, WLH closed sales of 1,360 homes. Polygon, a Bellevue, Wash.-based builder operating in Oregon and Washington state, closed 791. "This provides us with significantly more operating scale," Matthew Zaist, WLH's president and COO, says in an interview Monday. "It gives us incremental leverage from an (operating cost) perspective. It provides us with geographic diversity in two of the best markets in the country." (kris.hudson@wsj.com; @KrisHudsonWSJ)

17:52 EDT - West Coast home builder William Lyon Homes (WLH) secures bridge financing from a group of banks led by JPMorgan Chase (JPM) for the entirety of its \$520M **purchase** announced Monday of Polygon Northwest, a closely-held builder in Oregon and Washington state. JPM was also WLH's financial advisor on the deal, which is slated to close in 3Q. WLH can finance the transaction purely with debt, but it will also consider selling **equity** and adding partners in Polygon's land holdings, president and COO Matthew Zaist says. "The **company** has a lot of options available" for financing, Zaist says in an interview, adding that WLH will consider Polygon's strong cash flow as it determines long-term financing. WLH closes up 4.85% at \$27. (kris.hudson@wsj.com; @KrisHudsonWSJ)

17:47 EDT - UnitedHealth Group (UNH), which largely sat out the rollout of the federal health law's marketplaces, is next year expected to become a far larger player. According to a tally by Deutsche Bank analyst Scott Fidel, the biggest US health insurer is now reportedly applying to enter exchanges in ten new states, with New Jersey being the most recent to emerge. Last year, UnitedHealth was only in

four, he writes, while Aetna (AET) was present in the most exchange markets, 17.
(anna.mathews@wsj.com)

17:40 EDT - AUD/USD is slightly lower after moves driven by an upbeat **China** PMI failed to extend overnight after euro-zone PMI disappointed, says Westpac currency strategist Imre Speizer. He adds, however, longer term **China** PMI gave the pair "fresh legs and flipped short-term momentum to the upside." The pair is at 0.9420 from 0.9434 in Sydney Monday. Speizer says he expects the pair to target 0.9445 during the next few days. (lucy.craymer@wsj.com; @lucy_craymer)

17:31 EDT - XPO Logistics (XPO) makes a compelling case for bold new growth targets, Morgan Stanley analysts say. Management has laid out revenue targets of \$7.5B by the end of 2017, more than 10 times its revenue in 2013, as well as an EBITDA of \$425M. The **company** is targeting organic revenue growth rates of 20% and could accomplish the rest through acquisitions, Morgan Stanley says. "The stock is not without risk, but the upside is compelling," the analysts add. If XPO meets its goals, stocks could be valued at \$90, up from a closing price of \$27.32 Monday, they say. (laura.stevens@wsj.com)

17:27 EDT - NZD/USD probed higher overnight following stronger manufacturing PMI in **China** out Monday but fails to hold up "as weaker European PMIs and stronger US home sales led to a stronger USD across the board," says ANZ. **Firm** adds this led to the NZD/USD drifting back to the middle of the recent range and with no local data due today, the pair will be driven by further USD moves. NZD/USD last at 0.8715 from 0.8734 late Monday in New Zealand. ANZ says it expects the pair to trade in a short-term range 0.8660 to 0.8750, (lucy.craymer@wsj.com; @lucy_craymer)

17:22 EDT - Dublin-based drug maker Shire PLC has made a "reasonable case" for its long-term growth prospects as an independent **company**, in the face of a \$46B takeover offer from AbbVie (ABBV), Jefferies says. Shire, which on Friday rejected AbbVie's offer, on Monday presents to investors its plans to reach \$10B in revenue by 2020 -- \$7B from current products and \$3B from new drugs still in development. "In our view, management's objective of \$10 **billion** in revenue by 2020...seems attainable, though we model \$9 **billion**" excluding acquisitions, Jefferies writes. Shire executives "deflected all questions regarding both future cost reduction and **M&A**," Jefferies says. (Jeanne.whalen@wsj.com)

17:18 EDT - Will impressive results of a 96-patient study be enough for AstraZeneca's (AZN) PARP-inhibitor olaparib to win accelerated approval for ovarian cancer? Leerink thinks so after seeing what it terms "benign" questions from the agency in briefing documents released ahead of Wednesday's advisory panel meeting on the issue. AZN is seeking approval for olaparib as maintenance therapy for patients with BRCA mutations. AZN's Study 19 showed an 83% reduction in risk of progression of disease. But amid "uncertainties" over whether such a benefit will be confirmed in a larger trial now underway, the FDA wants advice on whether to consider approval by the Oct. 3 PDUFA date or await results from the larger study. (ron.winslow@wsj.com)

17:14 EDT - With volatility near its lowest levels since 2007, a debate has been sweeping financial markets over the roots of this recent market malaise. Some traders say a host of forces, led by slowly gathering US growth and expansive central-bank policy, will keep a lid on asset-price swings. Others say record stock indexes and high bond prices spell wild trading ahead. Either way, investors are increasingly positioning for a change even if they have no certainty it's coming. "I'm seeing more incoming call demand for hedging," says Stephen Solaka, managing partner at Belmont Capital Group, which oversees about \$150M. "The mindset is that we've had a good run, the market has gone up tremendously, protection is cheap and I want to lock in gains." (christopher.dieterich@wsj.com)

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