

HD MARKET UP - ODD MAN OUT - MOST DOWN ON NEG MACRO NEWS

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The S&P/ASX200 is up 4.1 points to 5526.5 at midday on better than usual volume worth \$1.65 **billion**. There are 389 issues higher and 475 down. The SPI Futures is down 1 point to 5482 on better than average volume of 10,677 contracts. Aussie 10 year bond yields.

*The banks contributed 3.3 positive points to the index, insurers contributed 0.1 positive points, resources contributed 2.9 negative points, **property** trusts were Neutral. Retailers contributed 1.9 positive points, Telstra contributed 0.5 positive points.

*The Nikkei Dow is down 190 points to 15,180 points, Shanghai CSI physical is up 5.12 points to 2060.71, Hang Seng futures is down 86 points to 23,408 points. S&P futures is down 2 points to 1951.60, Nasdaq futures are steady at 3876, Dow futures is down 24 points to 16,917 points.

Spot **gold** fell \$3 to \$1316. Crude rose 55c to \$103.74.

Our market puzzlingly, failed to react to negative news from Gaza, from the dreadful 2nd Malaysian major plane crash and from **China**'s loan default news with markets mixed overall while **gold** lost some of its overnight gain - it could be totally technically driven with people protecting their positions. Eg: Shares Guildford **Coal**, now focussed on Mongolia has shown no reaction to an offer for its Australian assets.

Among the majors, AGL has seen no reaction to its calling profit down in 2015 on the cessation of the carbon tax.

Bloomberg quoted Russell Investment **Group**, with about \$280 **billion** in assets under management Douglas Gordon who told Bloomberg TV "There has been a huge escalation of geopolitical risk. There's a lot of uncertainty that the market has to digest".

"I will call the market down 30 points for the day"

Ben Faulkner, a senior adviser at Morgans, said, "The move last night on the S&P 500 was very interesting and obviously negative. It was the first time probably since 20th May that we have had a close below the 20 day moving average. This has been a good trend line for the S&P.

"It has now broken with the S&P closing below that. If we don't get a relief rally, it looks set for a correction there. There is initially good support at 1050. It will test it and break it, which could see the S&P come back to 1900 even. That was very bearish price action last night - the first time since May that it has closed below the 20 day moving average.

"It was a good rally for **gold** with the headlines last night prompting the price action. It has broken and closed above the 20 day moving average to be right on the \$1320 support line which is good support, with \$1340 resistance. It could probably trend up to \$1340 if we see headlines similar to the headlines now.

"For the ASX200, there was a bit of bearish price action yesterday, closing on our lows. The bulls will want the market to close above 5500 to be happy. 5500 is the critical level of support, which has potential to be broken today. The market may come back to 5400 if we see some negative action over the day.

"If we don't hold 5500 it will be a bearish close for the week.

"On the day we will test support at 5500 even. Below that 5480 is the next level of support.

"I will call the market down 30 points for the day and expect we will have a bearish close for the week".

THE WEEK AHEAD

Jul 21: GVF lists. **China** confce **board**/Jun Leading Eco Ind.

Jul 22: US CPI, FHFA Hous price ind, Existing hom sales.

Jul 23: Aussie CPI. ANZ Asia briefing. BHP, SFR qtr. BKI fin. ORI strat brief. . Ex div MIR ex 16.5c. HSBC/**China M**fr Ind. US MBA Mort Ind, crude inv.

Jul 24: AGO, BDR, IGO, NCM, WSAqtr. Options close off. US initial claims, new hom sales.

Jul 25: CHC EGM; GUD fin. Japan core CPI. US dur goods.

TOP STOCKS

*AGL **Energy** rose 7c to \$14.98 on 2.3m shares despite the report below.

Among the financials, AMP is down 3c to \$5.25 on 4.6m shares, ANZ is up 9c to \$33.30 on 2m shares, CBA fell 10c to \$81.11 on 1m shares, NAB rose 7c to \$34.07 on 1.9m shares, Westpac gained 16c to 433.80 on 1.8m shares.

Among the TMT's Telstra is up .5c to \$5.42.5 on 10.39m shares, Telecom NZ is down 1.5c to \$2.58.5 on 150,068 shares, SingTel was steady at \$3.39 on 81,273 shares.

Among the resources BHP closed down 11.5c to \$38.43.5 on 2.7m shares, RIO closed down 38c to \$64.37 on 735,210 shares. Fortescue fell 5.5c to \$4.60.5 on 9.9m shares. Iluka was down 4c to \$8.82 on 536,066 shares, Sandfire fell 18c to \$6.57 on 295,448 shares, Panoramic rose 2.5c to 93.5c on 240,680 shares.

Among the oils, Woodside rose 25c to \$42.12 on 798,950 shares, Santos is down 5c to \$14.16 on 1.79m shares, **Oil** Search fell 2c to \$9.49 on 1.13m shares.

Among the golds stocks were higher on the overnight rise in the price of **gold**. Newcrest rose 32c to \$1.48 on 2.4m shares, Oceana rose 23c to 3.45 on 685,049 shares, Medusa rose 4.5c to \$1.81 on 901,896 shares, Regis fell 6c to \$1.80.5 on 1.69m shares.

AT THE SMALLER END

*Guildford **Coal** is steady at 5.9c on 625,000 shares. Also report below - Guildford **Coal** is now focussed on its Mongolian **operations**

*Prana gained another 2.5c to 27.5c on 365,230 shares on the report below.

*ABM Resources rose 3.5c to 38c on 472,494 shares on today's report, yet to be included, apologies and the overnight **gold** price.

*Graphite hopeful Kibaran rose 6c to 41.5c on 10.2m shares, Triton rose 4.5c to 83.5c on 29.29 **million** shares.

NEWS OF THE DAY

Ukraine's pro Russian separatists claim to have shot down the plane

Malaysian plane was carrying 298 people, a Boeing 777, with the call sign MH17, was flying from Amsterdam to Kuala Lumpur.

In a statement, Malaysia Airlines said MH17 was carrying at least 154 Dutch nationals, 27 Australians, 43 Malaysians (including 15 crew), 12 Indonesians and nine Britons.

Other passengers came from Germany, Belgium, the Philippines and Canada, with the nationalities of 41 people not yet confirmed.

An intercepted message was said to confirm pro Russian separatists had shot down the plane.

*Although there was no clear warning from the ICAO - and Malaysia's prime minister Najib Razak said the aircraft's flight route had been declared safe by the ICAO - Reuters reported some international airlines, including Australia's Qantas Airways and Korea's two major carriers, shifted the route taken by flights operating over Ukrainian air space months ago amid increasing tensions between Kiev and pro-Moscow rebels, although more costly in time and money.

The airlines took extra security precautions despite no official ban from regulators on flying through the area, even as others continued to use the route.

Australia's carbon tax repeal the subject of global negative headlines

"The Age" records headlines in European, Asian and Middle East countries (Canada a notable exception) reporting the repeal of the carbon tax in Australia as a step backwards and unfailingly adding that Australia is the world's worst polluter on a per capita basis.

LARGE CAP INDUSTRIALS

*AGK: 2014 underlying NPAT \$561 mln, in line with expect/2015 EBIT down \$186m

AGL **Energy** Ltd advised that based on unaudited results its full year 2014 Underlying Net Profit after Tax is expected to be in line with market consensus of \$561 **million**.

AGL also advised that removal of the carbon tax from July 1 is expected to reduce 2015 EBIT by a gross amount of approximately \$186 **million**. This includes an expected net reduction of approximately \$100 **million** in EBIT in relation to the **operations** of the Loy Yang A power station due to the cessation of transitional assistance arrangements associated with the carbon tax. It also includes an expected reduction in EBIT of approximately \$86 **million** from AGK's renewable **energy** and gas generation portfolios due to the expected fall in wholesale electricity prices associated with the removal of the carbon tax.

AGL does not expect a recovery in the price of Large Generation Certificates in 2015 to offset the expected fall in wholesale electricity prices due to the current surplus of certificates and uncertainty surrounding the ongoing review of the renewable **Energy** Target by the Federal Government.

AGL also advised its LPG extraction plant at Kurnell will be closing following the announced closure of the Caltex **oil** refinery. This will further reduce 2015 EBIT by approximately \$14 **million**.

Full year results will be announced on August 20. Formal guidance for 2015 will be announced on October 23. (Jul 17)

*AIO: Confirms seeking **sale** of non controlled interest in terminals, logistics biz

Asciano Ltd advised with regard to recent media speculation it confirms it has been and continues to be in discussions with third parties in relation to a potential **sale** of a non controlling interest in its terminals and logistics business division. The discussions are preliminary and incomplete and no agreement has been reached with any parties at this stage. These discussions are consistent with the detail in the presentation made on the 19th June investor day.

*APN: Acquires rem 50% of Buspak Advertising, HK for \$14 mln

APN News & Media Ltd announced it has acquired full ownership of Buspak Advertising (**Hong Kong**) Ltd, through the **acquisition** of the remaining 50% share from j/v partner Clear Channel **Hong Kong** Ltd for \$14 **million**.

Buspak owns Cody Outdoor International (HK) Ltd, a leading provider of large format outdoor advertising with a portfolio of over 160 billboards located in prestigious locations including the Eastern Harbour Tunnel, Western Harbour Tunnel and Causeway Bay.

*WES: Sep qtr prices for metallurgical **coal** in line with previous qtr

Wesfarmers Ltd announced price negotiations for the July to September 2014 quarter of metallurgical **coal** exports from Wesfarmers Resources' Curragh mine in Queensland's Bowen Basin have been concluded with the majority of customers. For the July to September quarter the weighted average US dollar FOB for new contract prices of Curragh metallurgical **coal** (hard coking, semi coking and PCI) remains unchanged

as compared to the April to June 2014 quarter prices. Approximately 80% of deliveries in the July to September 2014 quarter are forecast to be at the new contract prices with the balance at carry over prices, and subject to actual contract deliveries for the July to September 2014 quarter.

Managing director of Wesfarmers Resources, Stewart Butel said the **coal** pricing outcome for Curragh's range of metallurgical coals was in line with recent market price settlements. (Jul 17)

*WES: Jul qtr production at Curragh 4% higher than previous quarter

Wesfarmers Ltd in quarterly production, development and exploration said at Curragh, overburden removal was 15.5% higher than the previous quarter, largely due to the timing of the planned 11 week major dragline shutdown which was completed in April 2014.

Coal production for the quarter was 3,334,000 tonnes, 4% higher than the previous quarter. Metallurgical **coal** production increased by 1.3% and steaming **coal** production increased by 11.8% compared to the previous quarter.

For the 12 months to June 30, metallurgical **coal** production increased by 19.4% to 8.8 **million** tonnes and steaming **coal** production rose 7.5% to 3.498 **million** tonnes. The prior comparable period was impacted by a scheduled mine shutdown and Cyclone Oswald. (Jul 17)

LARGE CAP RESOURCES

*MIN: Record **iron ore** sales for year

Mineral Resources Ltd announced for the full year it has achieved record **iron ore** sales of 10.4 **million** tonnes up 88% from 2013 and a 4% improvement on guidance of 9.5/10Mt.

Quarterly **iron ore** shipments of 5.9 **million** tonnes represent a 14% increase over the previous quarter.

The increase in **iron ore** shipments were primarily from Phil's Creek with a quarterly increase of 27% to 1.28MT, continuing the ramp up and refocus of Pilbara operations. **Operations** at Poondano were completed during the quarter with rehabilitation work concluding in the area.

Spinifex Ridge, an operation acquired from Moly Mines in 2013 will continue at the rate of approximately 130,000 WMT per month until it is due to close in full year 2015. This material has provided good quality incremental tonnes as the **company** transitioned from Poondano **ore** to Phil's Creek.

During the next two quarters MIN will bring **Iron** Valley into production and subsequently **wind** down **operations** at its other Pilbara **operations**, maximising efficiencies by operating from a single mine **site** in the Pilbara. (Jul 17)

*STO: Jun qtr prod up 5%, sales rev up 22%/\$A70m non cash impairment in int

Santos Ltd for the period ended June quarter announced production of 12.8Mmboe was up 5% on the previous quarter and up 3% vs the second quarter of 2013.

Sales revenue was \$974 **million** for the quarter and \$1,887 for the first half, up 22% and 25% respectively.

STO MD and CEO David Knox said the successful start up of the PNG LNG project, which shipped seven LNG cargoes by the end of the quarter had driven sound second quarter results and built momentum for a stronger second half.

Highlights for the quarter included the PNG LNG start up, ahead of schedule during the quarter, completion of key construction milestones across the GLNG project, on track for first LNG in 2015. The Barossa-2 appraisal well was successfully drilled and intersected 92m net gas pay. In early July first **oil** was achieved from the Dua project in Vietnam.

Sales gas, ethane and gas to LNG production of 55.7 petajoules for the quarter was 8% higher than the corresponding quarter with higher production from Darwin LNG and start up at PNG LNG offset by lower production from the Carnarvon Basin due to lower customer nominations.

Quarterly crude oil production of 2.1 **million** barrels was 16% lower than the previous quarter, due to outages at Fletcher Finucane and Chim Sao, partly offset by higher Cooper Basin production. The average **oil** price for the quarter was \$122 per barrel, 5% lower than the previous corresponding period.

2014 guidance

Santos will release its results for the half year ended June 30 on August 22. The half year report and associated investor presentation will be available on Santos' website.

Santos expects to recognise an impairment charge of approximately \$70 million, pre and post tax, in its 2014 half year accounts associated with the company's Indonesian coal seam gas assets. The impairment is non cash in nature and reflects Santos' decision to withdraw from South Sumatra CSG.

*ZIM: Major u/g collapse affects 50% Bimha mine/no injuries/equip damage

Zimplats Ltd advised a major underground collapse occurred at one of its mines at the Ngezi site 150 km south east of Harare. The collapse has affected nearly 50% of the current mining footprint at the Bimha Mine, the largest of Zimplats' four mines. As a result of the proactive response from the management team and the timely evacuation of all personnel, no injuries or damage of mobile equipment were reported.

MID TO SMALL INDUSTRIALS

*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.

MID TO SMALL RESOURCES

*GUF: Offer to acquire all GUF's Australian coal assets for \$US22.5m

Guildford Coal Ltd advised they have received a confidential, unsolicited offer to acquire all of Guildford's Australian coal assets from a Singaporean company listed on the main board of the SGX for \$US22.5 million, payable by way of a non interest bearing convertible promissory note which matures in six months following issue and payable in cash, or may be converted at the purchaser's option into ordinary shares in the purchaser to be issued to Guildford.

The offer is open for acceptance until 5pm Singapore time, July 23. Guildford is currently considering the offer.

The offer does not impact on the timetable for the non renounceable entitlement offer announced on July 10. (Jul 17)

*MTA: Numerous surface occurrences of graphite mineralisation at Montepuez

Metals of Africa Ltd announced reconnaissance exploration has identified numerous surface occurrences of graphite mineralisation at its 100% owned Montepuez Project in Mozambique.

16 graphite bearing rock chip samples have been collected and will be sent for laboratory analysis. A large target area has been defined, predominantly under thin sand cover. An electromagnetic survey is to be conducted to define drill targets. A maiden drill program is planned for the 4th quarter 2014.

*ROL: 87.3% held Mentum s/holders approve buy for Kyrgyz Au/Cu projects

Robust Resources Ltd announced Mentum shareholders have granted approval for the **acquisition** of Kyrgyz Republic assets comprising Andash, Talas and Bashkol **gold-copper** projects, consolidation of Mentum's capital structure to 107,431,900 ordinary shares and a change of name to Tengri Resources. Robust will hold 87.3% of Mentum Inc, currently valued at \$A32 **million**. (Jul 17)

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