

**HD MARKET EXPECTED TO CLOSE HIGHER TODAY**

**BY** Jenny Prabhu

**WC** 3,087 words

**PD** 16 February 2014

**SN** OzEquities News Bites

**SC** NBOZEN

**LA** English

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The S&P/ASX200 is expected to close higher today.

Market rose on continuing modestly positive news out of Europe while disappointing eco news in the US was shrugged off as weather related.

On the NYSE where 3215 issues traded there were 2,079 issues higher, 1,032 down and 104 unchanged. On Nasdaq where 2694 issues traded there were 1,372 issues higher, 1,225 down and 97 unchanged.

Metals were higher, crude was mixed, **gold** surged. The \$A is at 90.34US c, up another 35 points from Friday evening.

"Up about 25, taking into account ..CBA going ex div"

"Maree" said, "It looks like the oversold resource sector is starting to see a recovery. The IMF was looking for a weaker \$A to help growth, but given the statistics coming out of **China**, a few good things are happening on the resources front - including a record wheat crop. I am looking for an up day today - up about 25 taking into account the weight on the index from CBA going ex div"

The S&P/ASX200 closed up 48.2 points to 5356.3 on Friday.

February 17. Good morning.

\*"The Australian" reports the ASX will unveil a j/.v with the Bank of **China** to launch a payments platform for the Yuan in Australia tomorrow, ahead of the G20 meeting.

\*Barron's cover for the week of February 17 is entitled "The case for 4% Growth", with staff reporter Gene Epstein quoting economists who say the demand for new homes and the outlook for economic growth are understated.

\*Barron's was bullish on EPL O8I & Gas, the Gulf of Mexico driller.

\*Barron's was bullish on the merger of US Airways and American Airlines.

\*Barron's was bullish on retail health clinic chain CVS.

\*Barron's was on Endro's Garlock Asbestos Sealing Technologies

\*Baron's International Trader - Europe was bullish on Nestle after it sold some of L'Oreal's shares, still owns 23% or Euro 27 bilion of L'Oreal.

\*Barron's International Trader - Asia was bullish on HSBC - seen as one of the bigget beneficiaries among the world's major banks if the US Fed tightens.

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 mostly higher. AWC rose 0.5c on 884,000 shares, BHP rose 10c on 2.87m shares, News fell 14c on 600,000 shares, Fox rose 5c on 2.6m shares, Westpac rose 21c on 129,000 shares, Telstra rose 3c on 175,000 shares. Resmed fell 3c on 4.1m shares.

Psivida fell 7c on 101,000 shares.

Prana fell 11c on 24.2m shares.

In London Anglo American fell 14p to 1,519.5p on 8.2m shares, Aquarius fell 0.25p to 39.25p on 471,528 shares, BHP rose 1p on 2.5m shares, BskyB fell 1.5p to 890p on 3.8m shares, Henderson rose 1p to 234.7p on 723,362 shares. RIO rose 18.5p to 3,516p on 5.6m shares.

Trading points:

Reporting today:

\*AAD: Ardent Leisure reports for the half year.

Analysts expectations: \$30.8 mln, div 6.6c/\$34mln/\$29.5 mln, div 6.9c/underlying \$33.2 mln, full yr \$59.3 mln.

\*On February 5 a leading broker retained an "add" on Ardent Leisure with a price target of \$2.32 up from \$2 earlier. The broker said Main Event has a demonstrated track record of executing **sale** and leasebacks, enabling efficient recycling of capital. The broker said while it was unlikely the **company** would sell the underperforming Bowling portfolio and/or the stable but low growth Marinas business, which was possible, deploying capital to the high growth Main Event business, this would be well received by the market.

\*ALZ: Australand reports for the full year.

Analysts expectations: \$147.5mln, div 11c.

\*On January 23 a leading broker had a price target of \$3.50 for Australand with an "underweight" rating.

\*ANN: Ansell reports for the half year.

Analysts expectations: \$US70.3 mln, div 20.3c/\$US71.3 mln, div 17.4c.

\*On February 13 a leading broker retained an "equal weight" on Ansell while reducing the price target to \$19.26 from \$19.96. The broker said Ansell is trading below its \$19.26 price target and encapsulates the expected benefits from Barrier Safe. Increased leverage after BarrierSafe reduces scope for an increase to forecast capital returns and/or another material **acquisition**.

\*AZJ: Aurizon reports for the half year.

Analysts expectations: \$245.1 mln, div 7c/\$268.2 mln, div 7c/u/lying profit \$258 mln up 16c, div 8c.

\*On February 7 a leading broker said "very strong **coal** export volumes (up 15% on 1st half on pcp) will contribute to growth in Aurizon and Asiano".

\*On January 29 a leading broker had an "add" on Aurizon with a price target of \$5.33, up from \$5.27 earlier. The broker said it has increased its forecast EBITA across full year 2014/16. The broker said an upgrade to AZJ's **coal** haulage guidance seems likely after Aurizon reported 109.7Mt for first half 2014. The broker said "we continue to be positive on the long term outlook for Aurizon - a potential doubling of dividends over five years. "If the share price weakens (say on concerns of industrial unrest) use it as an opportunity to buy stock".

\*On January 28 a leading broker had a "hold" on Aurizon with a price target of \$4.86 up from \$4.66 earlier. The broker said Aurizon will update its full year 2014 **coal** volume guidance at the first half result and expects Aurizon to guide closer to 210/215 **million** tonnes than the current guidance of 200/205 **million** tonnes. We believe there is upside risk to our forecasts" the broker said in the report.

\*BEN: Bendigo & Adelaide Bank reports for the half year.

Analysts expectations: \$185.7 mln, div 30c/\$181.6 mln, div 31c/\$190.5 mln div 33c/consensus \$187 mln div 31c.

\*On February 10 Nomura said Bendigo is well positioned to deliver a solid result in 1st half 2014. While market share trends were not particularly favorable for the regionals, we expect BEN' margin performance

to positively surprise the market. Given BEN's large reliance on retail funding (particularly TDs) it should be well placed to deliver improving margins in first half 2014 and potentially in 2nd half 2014. Also, given strength in the housing market BEN's headline performance should also benefit from solid contribution from Homesafe.

\*DWS: DWS reports for the half year.

Analysts expectations: \$6.3 mln, div 3.c.

\*FWD: Fleetwood reports for the half year.

\*GOZ: Growth Properties reports for the half year.

Analysts expectations: \$40.7 mln, div 9.4c.

\*IMD: Imdex reports for the half year.

Analysts expectations: 2c div.

\*UGL: UGL reports for the half year.

Analysts expectations: \$48.4 mln, div 17c/\$46.8 mln, div 12c/\$46 mln reported, underlying \$61 mln, 19c div.

\*On January 29 a leading broker had an "underweight" on UGL with a price target of \$5.73, up from \$5.60 previously. The broker said UGL was the 4th in its preferences. WOR was the top choice followed by Downer and TSE. Monadelphous was 5th and Leighton 6th.

The broker said in the medium term the outlook for UGL could improve with the business currently shortlisted on a number of large infrastructure projects and the market for property services appearing robust. In full year 2014 however we still see earnings risk as skewed to the downside as UGL's rail division comes under pressure and cash flows and balance sheet metrics potentially disappoint.

\*Another leading broker on January 17 had UGL as its No. 3 preference after Leighton and Worley. The broker had a "hold" on UGL with a target price of \$7.84. The broker said, "The stock is trading close to trough levels, however we remain cautious given we expect guidance to be downgraded". The broker didn't expect any change to the proposed demerger

\*WSA: Western Areas reports for the half year.

Analysts expectations: \$6 mln for the full year.

\*On February 10 following WSA's full year 2014 guidance a leading broker retained an "overweight" on WSA saying overall the update brings WSA's targets closer to its estimates, which were higher than WSA's original guidance, but it still sees some conservatism in the new guidance.

Based on unaudited results, WSA said it expects to report improvements from the prior six month period for EBITDA margins, EBITDA and NPAT.

\*On January 28 a leading broker lifted its rating for WSA to "buy" from "neutral" with a price target of \$3.20, up from \$3.18, on valuation.

The broker said in its view recent investor concerns over debt repayments have been overstated. The company has a \$A110.2 million convertible bond due i July 2014 and a \$A125 million bond due in July 2015. With cash of \$94 million t end 2013, the broker expects WSA to close out the 2014 convertible bond using cash and an undrawn \$125 million facility. Also WSA has sufficient liquidity to repay the July 2015 convertible bond, although should prices move unfavorably, it is likely to be able to reset the 2015 convertible bond, removing any potential concerns about refinancing.

**Company** guidance: On February 10 Western Areas Ltd announced an upgraded guidance for the financial year 2014 as a direct result of the continuing strong performance of the company's operations.

Mine production is upgraded to 27,000 tonnes of nickel in ore vs 25/26,000 tonnes originally guided. Nickel in concentrate is upgraded to 25,000 tonnes from 23,000/24m tonnes.

Unit cash cost of production in concentrate has been lowered to \$A2.70 per pound from \$A2.80 /2.90 per pound originally guided.

Capital expenditure and exploration costs remain at \$60 million.

Changes in substantial reported February 12, 13 and 14 inc posted separately.

Ex div: BKN ex 15c; CBA ex \$1.83; COO ex .5c; GXL ex 5.5c; RKN ex 4.8c; SCC ex 5c.

#### Overseas

The DJIA closed up 126.80 points to 16,154.39.

S&P 500 rose 8.8 points to 1,838.63.

NASDAQ was up 3.36 points to 4,244.03.

US 10yr bond yields rose 1 point to 2/75%

The US\$ fell 40 points to 101.80 Yen

The Euro rose 10 points to 1.3690US c.

The Yuan fell 35 points to 6.0670/\$US1.

FTSE 100 closed up 4.20 points to 6,6763.62. European markets closed higher.

The Nikkei Dow last evening closed down 221.71 points to 14,313.03.

Shanghai SE Comp IX closed up 17.45 points to 2,115.85.

#### 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** rose \$8 to \$7,150/fell \$32 to \$A7915. Stockpiles fell 1,550 tonnes to 299,125 tonnes.

Aluminium was steady at \$1,745/fell \$10 to \$A1932. Stockpiles fell 10,575 tonnes to 5,371,425 tonnes.

Nickel rose \$50 to \$14,250/fell \$25 to \$A15,774. Stockpiles fell 276 tonnes to 268,980 tonnes.

Zinc rose \$14 to \$2,040/gained \$4 to \$A2258. Stockpiles fell 4,150 tonnes to 803,375 tonnes.

**Lead** was up \$15 to \$2,138/rose \$5 to \$A2367. Stockpiles fell 500 tonnes to 203,925 tonnes.

Tin gained \$424 to \$22,975/rose \$342 to \$A25,432. Stockpiles fell 35 tonnes to 8,805 tonnes.

**Iron Ore** rose \$1.20 to \$123.20/gained 64c to \$A136.37.

Steel was unquoted on the day. Stockpiles fell 195 tonnes to 14,560 tonnes, a new October 2008 low.

Cobalt was quoted at \$31,000/31,500.

Molybdenum was quoted at \$21,800/22,800.

WTI crude fell 5c to \$100.30/fell 62c to \$A111.03.

Brent Crude rose 56c to \$109.08/was steady at \$A120.74.

Spot **gold** rose \$17 to \$1,319/gained \$11.44 to \$A1460. Spot silver rose 98c to \$21.49/gained 97c to \$A23.79. Spot platinum rose \$10 to \$1,426/gained \$3 to \$A1578. Spot palladium was up \$5 to \$736/rose \$1 to \$A815.

#### Overseas eco news

In US eco news, industrial production in January fell 0.3% vs up 0.2% expected, falling the most since May 2009. Capacity utilisation fell to 78.5% from 78.9% vs 79.4% expected. Bad weather was said to account for a lot of the weakness.

\*US import prices rose 0.1% in January from an upwardly revised increase of 0.2% in December the Labor Department reported.

\*The Thomson Reuters/Uni of Michigan consumer sentiment index was steady at 81.2, unchanged from the final reading in January vs a fall to 80.6 expected.

\*BBC news reported the eurozone's economy grew by 0.3% in the final three months of 2013, up from 0.1% growth in the previous quarter. It was the third quarter of growth since the end of an 18-month recession, the longest period of contraction to affect the single currency area. The eurozone figures include 17 of the EU's economies. Latvia became the currency zone's 18th member in January.

Across the whole 28-nation EU, including the UK, growth for the October-to-December period was 0.4%.

Economic activity is still 2.7% below the peak it reached in 2008, before the full onset of the financial crisis.

There is one small landmark in the new data - the Italian economy managed to grow for the first time since mid-2011. But the rate was even more feeble than the eurozone average.

"The eurozone's recovery has moved up a gear," said Chris Williamson, chief economist of Markit.

"Not only has the pace of growth picked up to the fastest since the second quarter of 2011, but the recovery is also becoming more broad-based, encompassing core and so-called 'periphery' countries alike."

\*In the UK, the Office for National Statistics said the construction sector grew by 0.2% in the 4th quarter of last year vs a 0.3% contraction in earlier data.

Overseas **equity** news

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

United Health led the way higher, gaining \$2.31 or 3.24% to \$73.52 followed by ExxonMobil and Procter & Gamble. On the downside Verizon fell furthest, shedding 80c or 1.69% to \$46.51 followed by AT&T and Goldman Sachs.

Cliffs Natural Resources rose 5% after its quarterly profit beat expectations. However analysts said continued macro concerns including the **iron ore** price would continue to weigh.

Weight Watchers shares fell more than 26% after the **company** slashed its earnings forecast and CEO Jim Chambers said 2014 would be challenging.

Real estate website Trulia fell sharply after earnings rose 3c vs 7c a share forecast for the quarter although revenue rose to \$49.7 **million** from \$20.6 **million**.

Zillow Inc, another online real estate listing service fell 10% in tandem.

Campbell Soup rose 5% after reporting second quarter profit of \$1.03 a share vs 60c a year ago, or \$1.904 excluding one offs, vs 73c expected by analysts.

Insurer Aetna rose 5.2% after reporting 4th quarter profit jumped to \$1 a share from 56c. Hyatt Hotel rose 7% on better than expected 4th quarter earnings and Murphy **Oil** rose 5% after Reuters reported the group was considering the **sale** of some **oil** and gas assets in Asia, worth about \$3 **billion**.

\*In Europe, national benchmark indexes rose in 17 of the 18 western European markets. ThyssenKrupp rose 3.8% to Euro 20.46 after adjusted EBITDA more than doubled to Euro 247 **million** for the first quarter vs Euro 218.7 **million** expected by analysts. Elevator **company** Schindler fell 1% to Swiss Francs 132 fter reporting a fall in net profit although sales rose 8.4%.

Sweden's Investment AB Kinnevik fell 12% to SKr 238.10, the biggest fall since July 2006 after lowering its dividend growth forecast.

\*In the UK Fresnillo rose 5.3% to 971.5p, Polymetal rose 3.3% to 657.5p. Generic drug **company** Hikma Pharmaceuticals rose 4.7% to 1303p after lifting its full year revenue forecast.

Gaming **company** Ladbrokes rose 2.8% to 149.7p on a broker's upgrade.

Homebuilders rose on positive construction data. Taylor Wimpey rose 0.7%, Berkeley Group rose 0.5% and Barratt Developments gained 0.6%.

Morrison Supermarkets fell 1% on a broker's downgrade.

In other news

Return to the **gold** standard, led by **China**?

A report in "Daily Wealth" owned by Stansberry & Associates, published by Frank Porter Stansbury in a report entitled "On April 24th 2014 **China** will unveil a secret new financial weapon, built to bankrupt **millions** of Americans" contained the following interesting facts:

\*In 2011 the **Chinese** made available the first yuan denominated spot **gold** contract, the Renminbi Kilobar **Gold**. Dow Jones MarketWatch reported that analysts see it as a "step towards making the yuan a global reserve currency".

\*In 2012, the Shanghai **Gold** Exchange became the largest trading platform for physical **gold** in the world.

\*Last year **gold** consumption in **china** was up 50% in the first half of 2013 from the previous year, to become the No. 1 consumer.

\*A private **firm** has built a vault in Shanghai that can house 2,000 tons of **gold**, double **China**'s current annual consumption.

\***China** owns the Chase Manhattan Tower, acquired from JP Morgan on October 18 2013 by Fosun, a Shanghai listed **China** state owned conglomerate.

Built for David Rockefeller, the building has 60 floors, with 5 basement floors, and is 248 meters (813 ft) tall, making it the 15th tallest building in New York City, the 43rd tallest in the United States. The building houses the world's largest **gold** vault - longer than a football field and anchored to the bedrock five stories beneath the city's streets. It is located next to the vault owned by the New York Fed.

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