

HD Grocery, Household Goods Sellers Win in Retail Uplift, Says UBS -- Market Talk
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2340 GMT [Dow Jones] With the latest retail sales data showing the sector continuing to recover in June, UBS says its top sector picks remain Woolworths Ltd. (WOW.AU), with its grocery exposure and improved execution; Harvey Norman Holdings Ltd. (HVN.AU), with its housing exposure; and Premier Investments Ltd. (PMV.AU), thanks to its U.K. penetration as well as its valuation and balance sheet. Australian retail sales rose 6% in June from a year earlier, which the broker says is consistent with recent trade feedback. Notes the grocery and household goods categories were the stand-outs, up 6% and 7% respectively. Department stores disappointed, falling 3%, suggesting further market share loss to the specialty apparel retailers, which were up 8%. Among housing categories, electronics, hardware and furniture all accelerated. UBS expects growth in housing related categories to accelerate further in FY15.

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Adds the key share price catalysts for the sector will be positive trading updates during the July, September earnings season. (rebecca.thurlow@wsj.com; @beckthurlow)

2334 GMT [Dow Jones] Seven West Media Ltd. (SWM.AU) is going for **gold**, securing the rights to the 2016 and 2020 Summer Olympics and 2018 winter games. But UBS points out that, historically, Australian broadcasters have struggled to make money from Olympics. The brokerage assumes that SWM's Olympics investments covers their costs and estimates the impact on earnings will be broadly neutral, with higher programming costs offsetting any one-off revenue share gains. It retains a **buy** recommendation and A\$2.20/share (\$2.05) target. SWM last traded at A\$1.96. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2332 GMT [Dow Jones] Crown Resorts Ltd. (CWN.AU) remains compelling value on 14 times expected FY15 EPS and 8 times enterprise value to earnings before interest, tax, depreciation and amortisation, according to Citi. It estimates that current gearing levels would imply about A\$2.5 **billion** (\$2.33 **billion**) of net debt potential in FY17, before assuming any potential earnings from new investments including the new Las Vegas venture. Assuming a 60% **equity stake** in the Vegas **site**, Citi estimates Crown would only need to fund another A\$360 **million** for the project. "With an expectation for about A\$1.5 **billion** of potential capex at Crown Barangaroo expected to be spent largely in FY17-FY19 and now Vegas, with a potential small **equity** component to the investment, there seems to be adequate balance sheet to fund these potential investments," the broker says. Rating remains **Buy** with a A\$21.40 (\$19.94) target price. CWN last A\$15.20. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2324 GMT [Dow Jones] Activision Blizzard Inc. (ATVI) and Take-Two Interactive Software Inc. (TTWO) attributed stronger-than-expected quarterly results Tuesday to digitally delivered games and game content. The trend isn't new but appears more prominent in "slow" quarters, said Scott Kessler, an analyst at S&P Capital IQ. Activision's CEO Bobby Kotick insisted that physical sales are not going away. "There's no question when you look out five years we'll still be selling products like 'Skylanders' in stores" while also offering digital downloads, he said. Activision is up about 4% after hours, while Take-Two is down about the same percentage. (mikalai.shchatsko@wsj.com)

2324 GMT [Dow Jones]--EUR/USD is on a downward trend as renewed concerns over tensions in Ukraine and worries about deflation in the euro zone prompted investors to cut their bets on the single currency. Shinji Kureda, head of the FX trading **group** at Sumitomo Mitsui Banking, says the pair will likely find support at 1.3350 in Asia. "The pace of its fall tends to be slowed at every 50 points due to option-related buying. But once that point is broken, 1.3300 will come into sight," he adds. The pair is at

1.3370 vs. 1.3375 late in New York Tuesday. The ECB will hold a policy-setting meeting later this week, though policy changes aren't anticipated, Mr. Kureda says. (tatsuo.ito@wsj.com)

2320 GMT [Dow Jones] NZD/USD gained on news that New Zealand's 2Q unemployment rate was a better-than-expected 5.6% but fell on news that the participation rate and the quarter-on-quarter job growth rate were worse than tipped. "That offset the better news on the unemployment number," says Wellington-based OM Financial client advisor, Stuart Ive. He notes that after the overnight tumble in global **dairy** prices, things were already weighed against the Kiwi and "any spikes will likely be **sold** into." The pair is at 0.8439, and Ive says it has support at 0.8420 and resistance at 0.8500. (rebecca.howard@wsj.com; @FarroHoward)

23:19 GMT [Dow Jones] KKR & Co. (KKR) and Rhone Capital's A\$5.20/share indicative offer to **acquire** Treasury **Wine** (TWE.AU) looks attractive, but several risks remain, says J.P.Morgan. Investors should be mindful of the experience of Goodman Fielder, which recently recommended a cut-price offer from Singapore's Wilmar International Ltd. (F34.SG) and **Hong Kong's** First Pacific Co. (0142.HK) after they wrapped up due diligence. "There is no guarantee that a bid (for TWE) will emerge post due diligence, let alone that it will remain at A\$5.20 per share," J.P.Morgan says. "This risk requires a discount." Also, the broker believes the best-case completion date is September 2015, with due diligence likely to take four to six weeks, a scheme meeting taking six weeks to arrange, and the deal almost certain to require approval from **China's** Ministry of Commerce. J.P.Morgan, which rates Treasury **Wine** at underweight, thinks the stock should be trading at A\$4.80/share. TWE last traded at A\$5.17. (david.winning@wsj.com; @dwinningWSJ)

23:19 GMT [Dow Jones] The rally in Treasury **Wine Estate's** (TWE.AU) share price suggests more downside risk than upside for investors, even against the backdrop of a raised bid from KKR and Rhone **Group**, says UBS. It lifts its sum-of-the-parts-based target on TWE to A\$4.33/share from A\$4.20 but retains a sell recommendation. The brokerage says TWE's strategy, including spending on a narrowed **brand** portfolio and bringing forward the release dates for premium wines, makes sense but execution isn't certain. It anticipates further cost cutting to accompany the upcoming fiscal 2014 results as well as possibly more impairment charges, which will further cloud the **wine company's** near-term earnings outlook. TWE closed Tuesday at A\$5.17. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

23:07 GMT [Dow Jones] Harold **Park** in suburban Sydney is used to winners and losers, as the **site** of a former paceway where punters would gather to bet on harness racing. Now, it looks like paying off for Mirvac **Group**, an Australian **property** developer that dug up the track and is building dozens of apartments there. J.P.Morgan says Mirvac's FY15 earnings growth will be dependent on the margin at Harold **Park**, as it likely will provide more than 50% of **residential** revenue. "We're increasingly confident on Harold **Park** given sales are 18 months ahead of feasibility studies where Mirvac's focus has been more on velocity of sales as opposed to price growth," the broker says. "This should ensure healthy project margins through FY15-18, and more than A\$1 **billion** in revenue." J.P.Morgan, which rates Mirvac at overweight with a A\$1.93 price target, expects the **company** to report an FY14 operating profit of A\$439.9 **million** on Aug. 21. MGR last traded at A\$1.78. (david.winning@wsj.com; @dwinningWSJ)

2306 GMT [Dow Jones] Xerox Corp. (XRX) is moving toward rapid prototyping of services in its innovation **group**, according to chief technology officer Sophie Vandebroek. The copy machine pioneer needs to innovate in services now that the **company** has transitioned to providing back office services. Xerox is taking a page from a software development method known as Agile, which focuses on smaller projects and quick iteration. Innovation may be needed on the services side to offset falling sales of printers and copiers in the most recent quarter. (rachael.king@wsj.com, @sfwriter)

23:00 GMT [Dow Jones] The USD/JPY is likely to consolidate the downside after renewed concerns over the Ukrainian situation stoked risk-averse sentiment among investors overnight. "The sentiment isn't good and the upside will be heavy," says Shinji Kureda, head of FX trading **group** at Sumitomo Mitsui Banking. But the market reaction to this sort of news tends to be short-lived, and the pair could be supported around 102.40. Meanwhile, the upside will likely be capped around 102.80. The pair is at 102.63 against 102.59 in late New York on Tuesday. Polish foreign minister, Radoslaw Sikorski, was quoted by Bloomberg News as saying Russian units are poised to pressure or invade Ukraine. (tatsuo.ito@wsj.com)

22:55 GMT [Dow Jones] RBCCM upgrades Downer (DOW.AU) to Outperform from Sector Perform after raising its target price to A\$5.20 from A\$5.00. The broker points to significantly lower debt, a share buyback and marginally higher forecasts behind the upgrade. "The irony for Downer is that whilst it has reported a very strong cash flow result, its share price has fallen," analyst Heath Andrews says. "On a relative basis, we see Downer as good value in the sector and believe it should rally on the back of what was a solid FY2014 result." It adds that Downer is trading at a 6.3 times expected FY2015 enterprise value to earnings before interest and tax, a 23% discount to peers. DOW last A\$4.58. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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