

**HD Formal Bid for Bradken Likely, Bell Potter Says -- Market Talk**

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2232 GMT [Dow Jones] Bell Potter is sticking with a **buy** on Bradken (BKN.AU) in the view a formal takeover bid is likely at a price of at least A\$5.10 a share, with at least the possibility of a rival offer emerging. BKN has been approached by a pair of private-**equity** suitors which it says have made a nonbinding offer at A\$5.10. The suitors have already had a chance to conduct due diligence after an initial approach in August. Bell Potter maintains a A\$4.89/share 12-month price target. BKN last traded at A\$4.53. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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2220 GMT [Dow Jones] RBC Capital Markets revises down its forecasts for **iron ore** and **coal**. Again. Following a cut to its estimate in November, RBC now lowers its near term **iron-ore** price forecast by \$5 to \$80/ton for 2015/16 and holds this flat for the medium term. It notes the price now appears to have found support at about \$70/ton, but then it admits thinking the same at \$80/ton in October. Still, it expects season support to lift it into the year end and early 2015. For metallurgical **coal**, RBC lowers its price estimates for 2015 through 2017 by between \$7 and \$10 to \$128/ton, \$135/ton and \$145/ton, respectively. It also sees little heat in thermal **coal**, lowering its forecast for the spot price to average \$70/ton in 2015, \$75/ton in 2016 and \$80/ton in 2017. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2214 GMT [Dow Jones] Qantas Airways (QAN.AU) shares could extend recent bumper gains after the Australian airline delivers upbeat earnings guidance that justifies many analysts' increasingly bullish views. The **company** expects a pretax underlying first-half profit for the six months through December of A\$300M-to-A\$350 **million**. Earlier this month, Deutsche Bank lifted its fiscal 2015 full-year forecast for Qantas to A\$364 **million**, while Citigroup this month forecast A\$387 **million**. The airline's guidance means it's coming close to meeting both brokers' full-year forecasts, despite the guidance only being for the first half of the year. Qantas was last at A\$2.10. The shares have rallied 17% since Nov.27, when OPEC sent crude prices tumbling by keeping its output targets steady. (Ross.Kelly@wsj.com)

2205 GMT [Dow Jones] A key government-backed review of Australia's financial system has backed the country's longstanding "Four Pillars" policy of barring mergers between the four major banks. But it has called for the government to scrap a market ownership restriction on the ASX (ASX.AU). That would make it subject to the same ownership restrictions as other companies in the financial sector. The recommendation has been welcomed by the bourse operator, which argues the 15% ownership cap is no longer relevant. "Its removal helps level the playing field for ASX as it competes with other exchanges and other markets," ASX CEO Elmer Funke Kupper said. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2124 GMT [Dow Jones] The drop in crude **oil** prices has pushed New Zealand petrol prices below NZ\$2 a litre for the first time in over two years, boosting consumers' disposable incomes while raising the possibility that inflation could fall below the bottom of the Reserve Bank's 1% target band in the next quarter or two, says Westpac Bank. That "will almost certainly dampen financial markets' expectations of additional rate hikes from the RBNZ -- particularly now that actual rate cuts are looking more likely across the Tasman," following some very disappointing Australian GDP data. Westpac Bank now expects two "insurance cuts" from the RBA early next year. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2106 GMT [Dow Jones] AUD/USD is trading at fresh 4-year lows after pushing through key support at 0.8320 when U.S jobs data shocked investors, says OzForex. The pair is at 0.8294 early in New Zealand. OzForex says the focus is now on the **Chinese** Trade balance Monday and NAB **business**

confidence Tuesday for directional impetus into the start of the week. It tips a short-term range of 0.8220-0.8380. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2102 GMT [Dow Jones] An inquiry into Australia's bank system, published at the weekend, recommended local banks lift their capital ratios toward the upper quartile of their global peers, and that mortgage risk weights between the so-called "big 4" banks and the smaller regional banks be narrowed by raising the risk weights of the former. If adopted, the recommendations may **lead** to marginally higher mortgage rates, encouraging the (growing) camp calling for Reserve Bank of Australia rate cuts in 2015, National Australia Banks says. This weighed on the AUD/USD at the open, dropping 20pts to below 0.8300 this morning. (Rachel.pannett@wsj.com; twitter: @rachelpannett)

2012 GMT [Dow Jones] NZD/USD could break below 0.7660 ahead of Christmas "before the more sustained downtrend that we expect to unfold next year" says BNZ FX Strategist Kymberly Martin. She says BNZ continues to see NZD/USD at 0.7000 at end-2015. She notes there are two currency events this week. The first is Fonterra's latest payout forecast followed by Thursday's RBNZ meeting. Fonterra is widely expected to announce a downward revision to its NZ\$5.30 previous forecast and "a number in the high NZ\$4s will probably not be a negative shock to the market (and the NZD), but the low NZ\$4s would," she says. Meanwhile, on Thursday the RBNZ "will walk a tightrope." She expects it to likely flatten its projected 90-day bank bill track but want to retain something of a tightening bias. "With the market now pricing just 35bps of RBNZ hikes over the next two years there is certainly a chance the Bank does not go as 'soft' as the market expects," says Martin. NZD/USD is at 0.7694. (rebecca.howard@wsj.com; @FarroHoward)

1932 GMT [Dow Jones] The latest round of positive economic data may be enough to get Federal Reserve officials to begin raising interest rates in March--sooner than markets currently expect, says Steven Blitz, chief economist at ITG. "The optics of near-term economic data should nevertheless prevail on market and FOMC sentiment and thereby pull forward the timing of the Fed's opening night for the start of its rising rates run--we think March." (pedro.dacosta@wsj.com; Twitter: @pdacosta)

1929 GMT [Dow Jones] NZD/USD under pressure early in Asia after the U.S. dollar surged to a fresh six-year high after a strong U.S. payrolls report. The pair is at 0.7700 and Westpac Bank Senior Strategist Imre Speizer says it could move to 0.7660 on the day as "USD strength is the main factor today." Over the next three months "until inflation appears and **dairy** prices start rising, we see the 0.7700 support area as vulnerable, a break then targeting 0.7500," says Speizer. (rebecca.howard@wsj.com; @FarroHoward)

1927 GMT [Dow Jones] The Federal Reserve could seize on recent strong economic data to remove an assurance from its December meeting statement that interest rates are likely to remain near zero for a "considerable period," says Marc Chandler, currency strategist at Brown Brothers Harriman. The Fed meets Tuesday and Wednesday of next week. "This would be seen as a hawkish development [and] would likely lift the dollar. The economy has performed well, which the Fed will likely recognize. The Fed will see the slide in prices are positive for household consumption, and will see the downward pressure on prices as temporary." (pedro.dacosta@wsj.com; Twitter: @pdacosta)

(END) Dow Jones Newswires

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**IN** i32 : Machinery | iindstrls : Industrial Goods | i22 : Primary Metals | i222 : Steel Products | ibasicm : Basic Materials/Resources

**NS** c1521 : Analysts' Comments/Recommendations | c181 : Acquisitions/Mergers/Takeovers | cacqu : Acquisitions | ccat : Corporate/Industrial News | ecat : Economic News | namt : All Market Talk | ndjmt : Dow Jones Market Talk | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | c15 : Performance | c152 : Earnings Projections | c18 : Ownership Changes | cactio : Corporate Actions | ncat : Content Types | nfact : Factiva Filters | nfce : C&E Exclusion Filter | nfcpin : C&E Industry News Filter

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