

**HD Lessons From the Bard of Avon for UGL Investors -- Market Talk**
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0004 GMT [Dow Jones] Investors in UGL Ltd. (UGL.AU) would do well to remember Shakespeare's warning in Hamlet that "when sorrows come, they come not single spies, but in battalions." On Thursday, UGL said a fixed-price contract to build a power station to support the Ichthys natural-gas project in Australia had suffered from a major cost blowout. That led Macquarie to pencil in a US\$85 **million** one-off charge in its 1H result before accounting for tax. "The concern with project issues is bad news usually comes in multiples and once a project starts off track, it can be hard to get back on track," Macquarie says. "The project still has two years to run with construction ramping up in 2015 and 2016." The broker rates UGL at neutral, with a A\$6.25/share price target. (david.winning@wsj.com; @dwinningWSJ)

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19:01 EST - A bad day for Genworth Financial ended with more bad news. The insurer shed \$2.69 **billion** in market capitalization during the day, falling to \$4.3 **billion**, following its announcement of a \$345 **million** charge tied to its long-term-care insurance business. Late Thursday, Moody's Investors Service placed credit and some other ratings of various Genworth entities on review for downgrade. While Moody's said Genworth has the capacity to absorb the announced reserve charge, the charge was "higher than we expected ... We believe the **company** remains exposed to further, significant deterioration in its legacy block of business." (leslie.scism@wsj.com)

2357 GMT [Dow Jones] Seven Group (SVW.AU) continues to face sizeable headwinds in Australia's **mining** sector and in **China**, where demand is slowing for heavy machinery used in construction. These challenges prompt Bell Potter to cut its target price by 5.2% to A\$7.25 a share. "Seven Group via its WesTrac investment is leveraged to both of these dynamics," says Bell Potter analyst Jonathan Snape. "A continuing weak outlook in the WesTrac business combined with investment in long-duration **energy** assets that are unlikely to make a meaningful contribution in FY15e are reasons for our hold rating." SVW last traded at A\$6.75. (david.winning@wsj.com; @dwinningWSJ)

2356 GMT [Dow Jones] CIMB continues to see plenty of risk around builders merchant Boral (BLD.AU), despite upgrading the **company** to hold from reduce following a 12% fall in its share price since late August. While Boral's building products division is performing well on strong demand for new homes in Australia, its construction-materials business remains a disappointment. That's a problem as the Construction Materials division accounts for around 80% of CIMB's FY15 pretax earnings. "We expect this business will be impacted by further difficult conditions and resultant price competition," CIMB says. "While management indicated that additional Property sales may fill the void, we would expect the market to view this as lower quality earnings and to look through this figure." BLD last traded at A\$4.93, broadly in line with CIMB's A\$4.97/share price target. (david.winning@wsj.com; @dwinningWSJ)

2355 GMT [Dow Jones] Nymex crude is likely to consolidate near-term after settling down 77 cents Thursday at \$77.91/bbl, Dow Jones technical analysis shows. The daily continuation chart is mixed as the five- and 15-day moving averages are falling, but the slow stochastic indicator is bullish at oversold levels, while an inside-day-range pattern was completed Thursday. Support is at \$77.12 (Thursday's low); a breach would be near-term negative, targeting \$76.46 (Wednesday's low), then \$75.84/bbl (Tuesday's three-year low), \$74.95 (Oct. 4, 2011 swing low) and \$70.76 (Aug. 25, 2010 reaction low). But a rise above \$78.98 (Thursday's high) would tilt the near-term view positive, targeting \$79.35 (Wednesday's high, near the 10-day exponential moving average), then \$80.98 (Monday's high, near the middle 20-day Bollinger Band), \$81.27 (Oct. 31 high), \$82.09 (Oct. 30 high), \$82.88 (Oct. 29 reaction

high) and \$83.15-\$83.26 band (Oct. 22 high-Oct. 21 high). December crude is down eight cents at \$77.83/bbl on Globex. (jerry.tan@wsj.com)

2354 GMT [Dow Jones] Offshore accounts at six foreign brokerages place net buy orders for 19.8 **million** Japanese shares overnight, according to traders. The fourth consecutive day of heavy premarket buying may be positive for the market at the open, although the yen value basis of the figures is unknown. Buy orders total 36.0 **million** shares, with sell orders amounting to 16.2 **million** shares. (bradford.frischkorn@wsj.com)

18:29 EST - With the right management team, a recapitalized balance sheet and a strategy in place which aims to deliver A\$60M of pre-tax earnings and a return on capital of 20% by 2017, Morgans analyst Belinda Moore believes now is the time to a new look at Elders (ELD.AU). She says the **company** is benefiting from being fully focused on rural services, after selling its Futuris automotive business at the end of August. Moore has a A\$0.25/share price target on Elders. But she says if the rural services sector average trading multiple for FY15 of 12.3 times earnings holds into FY17, this would imply a valuation of A\$0.51 for Elders. "Patient investors should be well rewarded over time," says Moore, who rates the stock at add. ELD last at A\$0.19. (david.winning@wsj.com; @dwinningWSJ)

18:26 EST - Kratos (KTOS) CEO Eric DeMarco provides a mildly intriguing sign off to its 3Q call, promising to talk to analysts again in January "unless something transpires" before that. True, KTOS is shopping non-core assets, but the share slump following its profit warning could make a \$1B backlog enticing to a wider audience. Stock recently down 11.4% at \$5.93 in after-hours trade, just above its 52-week low. (doug.cameron@wsj.com)

18:25 EST - Spark (SPK.NZ) chairman Mark Verbiest is fairly upbeat about FY14 and FY15. "We realistically expected FY14 and FY15 to be years in which we stabilized the business and reduced costs, targeting revenue and margin growth and improvement in unit costs in FY16 and beyond," he tells shareholders at the **company's** annual meeting. "If anything, we actually think we are slightly ahead of this plan, however we know that the market is not standing still--competition remains intense, particularly in the mobile and broadband markets," he says. While it's still early days, there are signs Telecom's rebranding as Spark has proven successful, says Verbiest. "We are seeing an increase in foot traffic into retail stores, and an increase in online traffic to our websites," he says. (rebecca.howard@wsj.com; @FarroHoward)

18:22 EST - High-yield bond funds took in \$2.4B in the week ended November 5, according to fund tracker Lipper, extending a streak of gains that began in October. The inflows come on the heels of a net \$20B of withdrawals since a summer that drove record outflows in mid-July. High-yield funds saw their largest one-day inflows on record on Wednesday, according to JPMorgan. After the market's struggles this fall, the yield premiums on high yield-**bonds** have widened 0.54 percentage point from where they began in September, which is now luring investors back. (katy.burne@wsj.com)

18:19 EST - Mexico's auto industry kept up its record-setting pace in October, with production up 16% to 330,164 cars and light trucks and exports 7.1% higher than a year earlier at 257,372 units. Both are historical highs for any October, while accumulated output and exports for the first 10 months are also unprecedented at 2.73M and 2.21M, respectively, says the Mexican Auto Industry Association. Domestic new car sales last month were 14% higher than in October 2013 at 100,923 units, and up 5.6% for the January-October period. (anthony.harrup@wsj.com)

18:13 EST - November saw the syndication of NZ\$1.5B of a new New Zealand government September 2035 inflation-linked bond, as had been flagged for some time, says ANZ Bank. For the debt management office the deal represents a successful foray into ultra-long duration markets. At 22 years, it's the longest bond ever issued in New Zealand, and "it also extends the linker curve and deepens the linker market, which has been a key part of the DMO's strategy to diversify funding and extend duration," it says. It notes the deal was priced attractively and "at current levels, we see good value for investors." (rebecca.howard@wsj.com; @FarroHoward)

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