



HD (FE) Around the Traps ... with THE FERRET

WC 1,200 words

PD 15 December 2014

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Sydney - Monday - December 15: (RWE Australian Business News) -

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The Australian sharemarket is likely to fall again today after a whacking great retreat on the Dow Friday of 316 points or 1.79pc while the S&P 500 also traded seriously lower, along with the Nasdaqs.

The Dow 30 list were all negative.

In the market **energy** stocks dropped again, including Australia's big miners BHP Billiton and Rio Tinto.

The other influencing factor was the **Chinese** data details that emerged Friday.

While US retail sales and fixed asset investment figures were largely in line with forecasts, **Chinese** industrial production growth slowed more than expected from 7.7pc to 7.2pc year-on-year.

The consensus forecast was for an annual increase of 7.5pc.

The monthly increase in Eurozone industrial production also slowed to just 0.1pc in October from 0.5pc the month before, missing the 0.2pc estimate.

By rights the falling fuel prices around the globe are brilliant for growth but the offset is in countries selling **oil** to keep a balanced bottom line that are heading for disaster.

The major **oil company** shares continue to plunge - with January WTI futures off a further \$2.14 to \$57.81 barrel and Tapis \$1.92 to \$65.55 barrel, the price used to set Australian fuel prices.

For example, the average household would have saved at least \$30 to \$50 on petrol when filling up their tanks this week as the slide in **oil** prices have seen service stations cut their prices up to \$1.11 a litre in the Sydney metropolitan area against \$1.40-50 a week ago.

The December SPI 200 futures contract lost 32 to 5183.

Gold was bad news with the December contract down \$3.20 to \$1222 on COMEX.

The AUD weakened after RBA Governor Glenn Stevens suggested the Aussie should be changing hands around US75c but a realistic price is probably at US78c after the Governor started to think about cutting rates again - a disaster for seniors relying on the present income to make ends meet.

Mr Stevens's words seem to have done a lot of good as the AUD dropped back to US82.50c and touched a four-year low of US82.27c at one stage during the session.

CAPITOL HEALTH (ASX:CAJ) has announced the successful completion of its \$37.5 **million** institutional placement.

The placement was undertaken to fund Capitol's **acquisition** of Southern Radiology Group.

Investors were issued about 64.7 **million** shares at 58c and they have done extremely well on the deal.

The shares gained 6c to 75.5c on Friday.

"We were pleased with the strong support received from existing shareholders and also welcome a number of new shareholders who have invested in Capitol through the placement," managing director John Conidi said.

Settlement of the placement will occur on December 16 with allotment to occur on December 17.

Highlights of the Southern Radiology transaction include:

- * Launchpad into the largest DI market (NSW) in Australia via a high-quality platform.
- * Group of high-quality radiologists committed to Capitol.
- * Further diversifies revenue stream through addition of Hospital contracts.
- * Reduced integration risk; Capitol Health has a successful track record of acquisitions.
- * Broadens Capitol Health's MRI footprint.
- * Radiologists with subspecialties across a range of clinical areas enabling better margins and lower reliance on rebates.

INDEPENDENCE GROUP (ASX:IGO) last week announced ongoing drilling at the Moran South target had intersected 5.4m at 12.38pc nickel of massive sulphide (true width 3.5m) in drillhole LSU-493.

The intercept is 1140m below surface, 320m south of the Moran nickel **ore** body and 90m below the recently completed Moran South Drill Drive platform.

The intercept comprises massive sulphide in an ultramafic-basalt contact position and is coincidental with a significant downhole electromagnetic (DHEM) geophysical response identified from drillhole LSU-492, drilled down dip of LSU-493.

This intercept comes from the third underground diamond drillhole out of a proposed nine-hole exploration program to identify the Long-Moran komatiite channel, south and down-plunge of the Moran **ore** body, east of the Moran East fault.

Further step-out drilling to the south is planned to test down-plunge of the current intercept in the coming months.

Managing director Peter Bradford said, "Although one drillhole does not make a discovery, this is an important step in identifying the potential southern extensions of the Moran **ore** body.

"We are particularly pleased at the high tenor of mineralisation, which is similar to Moran, and look forward to further drill-testing of this target position by the Long exploration team in the coming months."

Shares in Independence traded erratically last week and fell 19c to \$4.13 on Friday.

SPARK NEW ZEALAND (ASX:SPK) has won support in the market with its price hikes to reflect Chorus (ASX:CNU) wholesale **copper** line costs.

Spark said it would change the price of selected home phone and broadband plans from February 1 2015, following last week's NZ Commerce Commission draft decision on the amount that Chorus can charge Spark and other Retail Service Providers (RSPs) for access to the **copper** network.

Last week's draft decision signalled:

- * a \$5.40 increase (incl GST) in the wholesale charges for home phone lines that have been in place for the past two years; and
- * a \$4.54 increase (incl GST) in the broadband lines charges that took effect on December 1 2014.

Chorus has argued that an increase in charges to Spark and other RSPs must be backdated, and the Commerce Commission has yet to give a view on this matter.

The price of Spark's home phone-only plans and the 40GB and 80GB broadband plans (ADSL and VDSL, excluding Ultra Fibre plans) will go up by between \$2.50 and \$4.25 a month from February 1 2015.

While these increases will affect lower-end plans, Spark says it will continue delivering more value to its customers by lowering the price of Unlimited Broadband Data and home phone packages.

Spark Home, Mobile and Business chief executive Chris Quin said: "Over the past two years we have been competing hard in the broadband market on the basis that there would be a \$10 reduction in the monthly charge we pay Chorus for providing **copper** broadband access.

"Market competition has brought great value for customers and the expected wholesale cost reduction for Spark and other ISPs has been built into current broadband prices.

"For example, Spark's basic \$75 broadband package today would have cost customers \$105 two years ago.

"Now it's indicated that wholesale broadband access charges will go down by almost \$5, rather than \$10, and home phone access changes will go up by more than \$5.

"We understand this is how the process works but we do have to react accordingly."

Mr Quin noted the monthly price increases of between \$2.50 and \$4.25 meant that Spark would only partially recover increases in wholesale charges.

Spark shares fell 6c to \$2.92 Friday, but rose every other day of last week, making a total gain of 22c for the five days.

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