

HD MARKET EXPECTED TO CLOSE DOWN A TOUCH

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The S&P/ASX200 is likely to close down a touch.

Europe closed mixed, the UK closed down a touch, the US markets were mixed.

On the NYSE where 3220 issues traded there were 2,037 issues higher, 1,087 down and 96 unchanged. On NASDAQ where 2714 issues traded there were 1,627 issues higher, 994 down and 93 unchanged.

Metals were mixed, crude rose, **gold** was down. The \$A is at 88.09US c, down about 10 points from last evening.

"Market may give back about 8 points today"

"Bernborough" said, "The market probably rose a bit more than expected yesterday and may give back some today. IU'll call it down 8 points today. People are still in holiday mode, there's not a lot of interest in the market as yet - we'll probably get into the swing of things next week".

The S&P/ASX200 closed up 36.5 points to 5331.5 last evening.

January 22. Good morning.

*The IMF has sharply increased its growth forecast for the UK economy to growth of 2.4% in 2014 vs up 1.9% expected earlier.

The IMF also raised its global growth outlook slightly to 3.7%.

The world's largest economy, the US, is expected to grow by 2.8% this year, an improvement on the previous estimate of 2.6% that the IMF made in October.

It expects the euro area as a whole to grow by 1%. "The euro area is turning a corner from recession to recovery," the IMF said. However, it added the pickup would be weaker in economies that have been facing "financial stress", namely Greece, Spain, Cyprus, Italy and Portugal.

The IMF also upgraded its forecast for the **Chinese** economy to 7.5% this year.

But it also warned that "strengthening global growth does not mean that the global economy is out of the woods".

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 mixed. AWC fell a half cent on 2.7m shares, RIO rose 4p on 2.2m shares, BHP fell 32c on 4.9m shares, News fell 40c on 900,000 shares, Fox fell 6c on 6.25m shares, Westpac was down 4c on 114,000 shares, Telstra fell 2c on 500,000 shaes. Resmed rose 14c on 18.9m shares.

PSivida rose 20c on 391,000 shares. Prana rose 10.5c on 19.8m shares.

In London Anglo American fell 37p to 1,356p on 6.3m shares, Aquarius fell 0.5p to 39.25p on 1.29m shares, BskyB rose 3p to 857p on 3.35m shares, BHP fell 32p to 1,854.5p on 7.7m shares, Henderson rose 1.5p to 228.10p on 967,404 shares. RIO fell 104.5p to 3,231.5p on 6m shares.

*Shares in BHP traded above the average 5.78 **million** shares a day while in RIO shares were almost double the 3.2 **million** per day average.

Trading points:

Glut of **iron ore** in **China**

The Financial Times reports the benchmark price for seaborne **iron ore** with 62% **iron ore** content was trading at \$123.20 a tonne on Tuesday, down 8% since the start of the year. Port stocks in **China** hit a 12 month high while domestic steel production fell below 2 **million** tonnes a day in December, the lowest level for a year.

*BHP: Record prod across 10 **operations**, full yr prod guidance maintained

BHP Billiton reported production records across 10 **operations** and three commodities. Full year production guidance was maintained for the Petroleum (approximately 250 Mboe of **oil** equivalent), **Copper** (guidance for full year unchanged at 1.7 Mt, although the group's **equity** interest is .2 Mt), **Iron Ore** (guidance for full year unchanged at 192 **million** tonnes) and **Coal** Businesses (Metallurgical **coal** production guidance retained at 41 **million** tonnes for 2014, total **coal** guidance unchanged at 73 **million** tonnes). *Western Australia **iron ore** achieved record production of 108 **million** tonnes on a 100% basis for the December 2013 half year, or up 19% net to BHP of 97,829Kt. Queensland **Coal** achieved record production for the December 2013 half year, with annualised production increasing to 68 **million** tonnes on a 100% basis in the December quarter.

Metallurgical **coal** attributable to BHP was up 22% to 21,725Kt for the half year and up 30-% to 11,540 Kt for the December quarter vs the pcg.

Energy coal was down 1% to 37,406Kt for the half year and down 5% to 17,767Kt for the quarter.

Petroleum liquids production increased by 9% to 50 **million** barrels of **oil** equivalent in the December 2013 half year, underpinned by a 72% increase in onshore US.

Attributable to BHP total petroleum products for the December half was down 1% to 120.4 Mboe and down 1% to 57.7Mboe for the quarter.

All projects are on schedule and on budget.

Alumina production was up 8% to 2,603Kt for the half year and up 10% to 1,352Kt for the December quarter vs the pcg.

Aluminium production was up 8% to 612Kt for the half year and up 2% to 302Kt for the quarter vs the pcg.

Manganese **ore** production was steady at 4,246K tonnes for the half year and up 4% to 2,200Kt for the quarter vs the pcg.

Manganese alloy production was up 7% to 303Kt for the half year and up 8% to 166Kt for the quarter vs the pcg.

Nickel production was up 9% to 78.2Kt for the half year and up 9% to 37.8Kt for the December quarter vs the pcg.

BHP's share of capital and exploration expenditure for the 2014 financial year is expected to be \$US16.1 **billion** as planned.

CEO Andrew Mackenzie said in the report production and volumes are expected to grow by 16% over the two years to the end of the 2015 financial year. **Iron ore** and metallurgical **coal** production were particularly strong and are very well positioned to achieve guidance notwithstanding the general uncertainty that exists as the wet season approaches.

Full year production guidance was retained for the Petroleum, **Copper**, **Iron Ore** and **Coal** businesses.

Analyst comment: "The Motley Fool" reported last night, "A key difference between BHP Billiton and its main London-listed peers, Rio Tinto and Anglo American, is its petroleum division, which accounted for 20% of its revenue and 27% of its earnings in 2012/13.

"Nearly half of BHP's petroleum production comes from its US onshore shale fields, and having looked at BHP's 2012/13 results, it's these shale assets that concern me.

"Shale wells have relatively low outputs and short lifespans, compared to conventional wells. This means you need to drill a lot of them, every year, to maintain or grow production from shale fields such as BHP's Eagle Ford and Permian acreage.

"In 2012/13, BHP spent \$4.8bn drilling and developing US onshore wells, using around 40 drilling rigs.

"Output from BHP's US onshore fields during the same period was 99.2 million barrels of oil equivalent (mmbae). Using the company's reported figures and average prices obtained for natural gas and crude production, this equates to around \$3.8bn — \$1bn less than was spent on drilling and development.

"Admittedly some of last year's capex will bear fruit in the years to come, but the problem with shale wells is that they constantly need to be replenished; BHP is planning to spend a further \$3.9bn on its onshore US fields in 2013/14.

"Making a profit from US shale fields isn't necessarily as easy as it seems. Earlier this year, Royal Dutch Shell recorded a \$2.1bn impairment on its US shale assets, which it is trying to sell.

"BHP is planning to focus on liquids-rich acreage this year, which should help matters, as oil prices remain fairly high by historical standards. However, even a focus on liquids may not be sufficient — BHP's sold its oil last year for an average of \$106 per barrel. Oil prices have fallen in recent months, and West Texas Intermediate, the US benchmark that's equivalent to Brent, currently sells for less than \$95 per barrel.

"The \$5.7bn profit delivered by BHP's petroleum division last year was generated by its offshore assets, the majority of which are in the Gulf of Mexico and off the coast of Australia.

"In my view, the firm's foray into shale is diluting the high quality of its offshore petroleum assets, and adding risk that looks unlikely to provide appropriate returns".

Changes in substantial reported January 20 and 21 inc posted separately.

YESTERDAY's WINNERS AND LOSERS - WHOLE OF MARKET

Courtesy Heinz Nonveiller

Best Risers/greatest weakeners by %age in Stocks on volume over 190,000 with 2.5 cent min.

15 Best Risers

Code Company % Increase Value Last Price Volume

Increase Cents M

NAG Nagambie 75 2.7 6.3 14.3

HSK Heemskirk 47 2.7 8.5 3.6

MOY Millenneum 24 4.5 23.5 0.5

MBE Mobile Embrace 14 4 32.5 6.6

YOW Yowie 14 3 25 0.2

EVR Endeavour 12 7 67 1.6

TIS Tissue 9.5 3 34.5 1.8

OMH OM Holdings 9.5 4.5 52 0.7

DRM Doray 8.7 6.5 81.5 2.9

TRY Troy 8.6 8.5 107 1.3

TSE Transfield 7.5 6.5 93.5 3.3

COE Cooper 7.4 3.5 50.5 0.4

ISN Isona 6.9 2.5 38.5 1.3

MFG Magellan 5.6 64 1207 0.8

GWA GWA 5.5 16 305 0.7

AVERAGE 17.0

15 Worst Falls

Code **Company** % Fall Value Fall Last Price Volume

NCR Nucoal 55 4.2 3.4 17.1

MDL Mineral Deposits 9.5 23 220 0.4

SPL Starpharma 6.3 5 75 0.7

FMG Fortescue 4.6 26 541 20.7

AGO Atlas **Iron** 4.1 4 94 28.8

FGE Forge 3.4 3.5 98 1.6

BLT Benitec 3.4 2.5 70.5 0.3

OGC Oceanagold 3.4 6.5 183.5 0.5

SFR Sandfire 3.3 22 648 0.3

NHF Nib Hold 3.1 8 250 0.3

CNU Chorus 2.8 4 137 0.3

RRL Regis 2.8 8 277 1.7

WSA Western Areas 2.5 7 274 0.4

SIR Sirius 2.1 5 235 0.3

KAR Karoon 2.1 8 379 0.4

AVERAGE 7.2

Overseas

The DJIA closed down 44.12 points to 16,414.44.

S&P 500 rose 5.10 points to 1843.80.

NASDAQ gained 28.18 points to 4225.76.

US 10yr bond yields rose 1 point to 2.83%

The US\$ rose 10 points to 104.31 Yen.

The Euro rose 7 points to 1.3558US c.

The Yuan rose 23 points to 6.0507/\$US1.

FTSE 100 fell 2.47 points to 6834.26. European markets closed mixed.

The Nikkei Dow last evening closed up 154.28 points to 15,795.96.

Shanghai SE Comp IX rose 17.06 points to 2008.31.

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.

Chinese brokerage GF Financial Markets joins LME ring dealer members

FastMarkets reported last night **Chinese** brokerage GF Financial Markets joined the ring dealer members, seen as a signal that LME open outcry trading has a future beyond 2015, which was guaranteed by **Hong Kong** Exchange & Clearing Ltd bought the LME in 2012.

GF Financial had purchased 100% of UK Natixis Commodities Markets Ltd last year, and hired the bulk of the experienced floor trading team from outgoing RDM Jefferies Bache.

FastMarkets said most of the floor traders for GF Financial are familiar faces to the ring trading community.

Their advent brought the number of ring traders back to 11. There are hopes other **Chinese** firms may join. RDM members have fallen from some 30 companies in the 1980s.

The LME Ring is the only open outcry floor in Europe. Its members are the only ones entitled to trade in the open outcry floor as well as the electronic platform, they can issue LME contracts and are also members of the clearing house, FastMarkets reports.

Nickel, zinc top picks for 2014, **copper** may struggle, **iron ore** may fall 21% - GS

FastMarkets reported Goldman Sachs has identified nickel and zinc as the **mining** commodities with the most upside on a 12 month view, lifting its nickel price target to \$14,500 per tonne over three months, 415,000 over six months and \$16,000 over 12 months, up from \$3,500, \$14,500 and \$15,000 respectively.

The brokerage said there is a significant probability that Indonesia will now ease the processing thresholds on exported nickel material which could see the price spike to around \$18,000/20,000 it added.

Goldman remains bullish on zinc due to falling supply, keeping its price forecasts unchanged at \$2,000 over three months, \$2,050 over six months and \$2,300 over 12 months.

It forecast further increases next year and in 2016, raising its 2016 and 2017 LME price forecasts to \$2,300 from \$2,200.

Goldman Sachs has moderated its very near term **copper** bearishness due to recent major supply disruptions including the halt in Indonesian **ore** shipments and the Chilean port strike as well as lower inventory visibility because of the new LME rules and an increase in **Chinese copper** financing deals. It lifted its 3 month forecast by \$400 to \$7,000.

Goldman remained cautious on aluminium, expecting a continued increase in **Chinese** supply, lowering its three month price forecast to \$1,700 from \$1,800 and the six month forecast also to \$1,700 while lifting the 12 month forecast by \$50 to \$1,750.

*Separately, MarketWatch reported Goldman Sachs Christian Lelong said in a report "We believe the commodities with the greatest downside over the next 12 months are **iron ore** (negative 21%) and **copper** (negative 15%).

Copper rose \$22 to \$7,340/gained \$16 to \$A8332. Stockpiles fell 3,875 tonnes to 330,675 tonnes.

Aluminium was down \$8 to \$1,798/fell \$11 to \$A2041. Stockpiles fell 7,275 tonnes to 5,468,900 tonnes.

Nickel rose \$170 to \$14,720/gained \$176 to \$A16,710. Stockpiles rose 432 tonnes to 261,726 tonnes.

Zinc was up \$13 to \$2,089/rose \$12 to \$A2371. Stockpiles fell 3,100 tonnes to 876,650 tonnes.

Lead added \$7 to \$2,212/rose \$5 to \$A2511. Stockpiles rose 200 tonnes to 209,450 tonnes.

Tin fell \$150 to \$22,150/fell \$196 to \$A25,145. Stockpiles rose 40 tonnes to 9,510 tonnes.

Iron Ore n/a

WTI crude rose 62c to \$94.99/gained 59c to \$A107.83.

Brent Crude rose 38c to 4106.73/gained 31c to \$A121.16.

*The International **Energy** Agency in its monthly report last night forecast global **oil** demand will rise by 1.3 **million** barrels a day in 2014 to 92.5 **million** barrels a day following a 1.2 **million** barrels a day gain in 2013 to 91.2 **million**.

Spot **gold** fell \$12 to \$1,242/fell \$15.08 to \$1410. Spot silver fell 40c to \$19.91/fell 48c to \$22.60. Spot platinum fell \$16 to \$1,450/fell \$20 to \$1,646. Spot palladium fell \$1 to \$747/fell \$2 to \$848.

Spot **uranium** rose 75c to \$35.65/gained 81c to \$40.58.

Overseas eco news

*Germany's ZEW Center for European Economic Research said its index of investor and analyst expectations for Germany fell to 61.7 in January from a seven year high of 62 in December and vs a rise to 64 expected. It weakened for the first time since July last year.

*British factory orders fell to negative 2 in January from up 12 in December vs up 10 expected, the Confederation of British Industry's industrial trends survey showed on Tuesday.

***China**'s short term interest rates fell yesterday after the central bank added funds twice in the week ahead of the Lunar New Year holiday. The People's Bank of **China** pumped CNY 255 **billion** via reverse repurchase agreements following its offer of funds to large commercial banks on Monday.

Overseas **equity** news

*In the US of the Dow 30 there were 12 stocks higher and 18 down.

Coca-Cola led the way up, gaining 64c or 1.63% to \$39.92 followed by United Health and Chevron. Travelers fell furthest, shedding \$1.47 or 1.7% to \$85 followed by Goldman Sachs and Verizon.

IBM fell \$1.64 or 0.986% to \$188.45 ahead of its quarterly result, due after the bell.

IBM after hours 4th quarter diluted earnings of \$5.73 per share, compared with diluted earnings of \$5.13 per share in the fourth quarter of 2012, an increase of 12 percent. Operating (non-GAAP) diluted earnings were \$6.13 per share, compared with operating diluted earnings of \$5.39 per share in the fourth quarter of 2012, an increase of 14 percent. Fourth-quarter net income, which includes benefits from tax audit settlements, was \$6.2 **billion** compared with \$5.8 **billion** in the fourth quarter of 2012, an increase of 6 percent. Operating (non-GAAP) net income was \$6.6 **billion** compared with \$6.1 **billion** in the fourth quarter of 2012, an increase of 8 percent.

Total revenues for the fourth quarter of 2013 of \$27.7 **billion** decreased 5 percent (down 3 percent adjusting for currency) from the fourth quarter of 2012.

"We continued to drive strong results across much of our portfolio and again grew earnings per share in 2013. While we made solid progress in businesses that are powering our future, in view of the **company's** overall full year results, my senior team and I have recommended that we forgo our personal annual incentive payments for 2013," said Ginni Rometty, IBM chairman, president and chief executive officer.

"As we enter 2014, we will continue to transform our business and invest aggressively in the areas that will drive growth and higher value. We remain on track toward our 2015 roadmap for operating EPS of at least \$20, a step in our long-term strategy of industry leadership and continuous transformation."

IBM fell another \$5.83 or 3.09% to \$182.60 after hours.

Alcoa rose 6.4% intra day after JPMorgan raised the stock to overweight from neutral and hiked the target price to \$15 from 49 to reflect the impact of tightening aluminium markets and rising regional aluminium premiums on earnings, MarketWatch reported.

Dow Chemical Co rose 6.4% intra day after activist investor Dan Loeb disclosed a \$1.3 **billion stake** in the **company**.

Cabot **Oil** & Gas rose 4.1% on a broker's upgrade. Cliff's Natural Resources fell 5.8% intra day after Goldman Sachs analyst Christian Lelong said in a report "We believe the commodities with the greatest downside over the next 12 months are **iron ore** (negative 21%) and **copper** (negative 15%)."

Delta Air Lines rose 3.2% after reporting adjusted 4th quarter earnings of 65c per share vs 63c expected by analysts. GAP rose 2.7% intra day on a broker's upgrade. Halliburton fell despite better than expected earnings.

*In Europe, National benchmark indexes fell in 10 of the 18 western European markets. Unilever rose 2.3% to Euro 29.49 after saying 4th quarter sales excluding acquisitions and currency fluctuations rose 4.1% vs up 3.9% expected. Danone rose 2.1% to Euro 52.11, Pernod Ricard rose 3.7% to Euro 84.2.

Wirecard Ag, a provider of software for electronic payments said sales rose to Euro 482.2 **million** last year while EBITDA rose 15% and predicted strong growth for 2014.

Henkel rose 2% to Euro 85.35 after the German maker of Schwarzkopf hair products and Loctite glue said it would lift its dividend payout to 35% of net income from 25%.

Peugeot rose 2% to Euro 10.41 after falling 11% yesterday.

*In the UK, Rio down 3.1% and BHP down 1.7% led the way lower with the gauge of **mining** stocks falling the most of 19 industry groups. Glencore Xstrata fell 1.3%.

Unilever rose 1.8% after reporting a rise in full year earnings. Melrose Industries rose 0.6% after announcing a 600 **million** pound capital return.

Banks lent support to the index, led up by Standard Chartered, which rose 2.3 % to add over 2 points to the FTSE 100.

Brewer SABMiller slipped 0.3 % after announcing poor sales, however, saying it has been plagued by weak consumer sentiment in Europe.

The FTSE was flat in percentage terms at 6,834.26 points at the close. Strength in consumer staples and banks was counteracted by weakness in miners, with traders saying the sector was set for a pause after posting its best week in 18 months last week.

Among the top individual risers was Intertek, up 3.2 %, after fellow testing **firm** SGS hiked its dividend and revenue forecasts, adding it would continue to looking for growth opportunities in emerging markets.

In other news

*BBC News reports the European Commission has suspended talks on part of a far-reaching EU-US free trade deal amid concern that hard-won social protections in Europe might be undermined.

The trade negotiations began last year but now the Commission has launched a three-month public consultation on the proposed investment rules for firms.

The aim is to close legal loopholes.

*Binding national targets on renewable **energy** are expected to be dropped from new EU proposals due to be unveiled on Wednesday, BBC News reports. The UK has lobbied hard to have the mandatory 2030 target watered down, saying it would drive up **energy** bills.

The EU executive will also outline a goal on emissions cuts for 2030, set to be 35 or 40% below 1990 levels.

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