

HD JENNY PRABHU'S HOT & SPICY CURRY SHOP

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the day's menu

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The S&P/ASX 200 as at 2:44pm: up 2.3 to 5579.7

Leighton is a "neutral"/an "underweight"/a "sell" ..

A leading broker with a "neutral" rating for Leighton and a price target of \$22.60 up from \$22.50 said it has increased its full year 2014, 2015 and 2016 forecast eps by 5%, 6% and 6% on account of the upgrades it has made to its Theiss and Leighton Contractors earnings forecasts. Also the broker's upgraded full year 2014 underlying NPAT forecast of \$600 **million** is towards the upper end of Leighton's guidance range of \$540/620 **million**.

*Another leading broker with an "underweight" on Leighton and a price target of \$11.70 said the headline result was misleading. "Whilst clearly the underlying price after tax result beat our expectations, we remain sceptical of the sustainability of LEI's earnings, given LEI's cash profits continue to lag reported profits with 1st half 2014 cash realisation ratio down 6%.

*Another leading broker with a "sell" on Leighton and a price target of \$17.02 said while Leighton has won work in selected Australian and Asian markets, work in hand is in decline with the pullback in core Australian markets likely leading to greater competitive pressures on the **group**. The shift of control to Hochtief/ACS also presents uncertainties on the **group's** strategy.

LEI down 35c to \$31.75.

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National Australia Bank is a "**buy**"/a "neutral"/an "underweight"/a "lighten" ..

A leading broker with a "**buy**" on National Australia Bank and a price target of \$35.47 said the announcement that NAB will sell 625 **million** pounds of largely non performing UK **commercial real estate** (CRE) assets will result in a small gain above net book value, releasing an estimated 127 **million** pounds of capital for NAB **group** or around 6 basis points. It will reduce the balance of NAB's UK CRE portfolio by 20% to 2.4 **billion** pounds at June 30 and reduce gross impaired loans by 48%.

The broker said the first step in management's attempt to accelerate the run down of legacy and low returning assets, outlined in the first half 2014 presentation, should be well received by the market.

*Nomura retained a "neutral" on NAB while saying it is "a step in the right direction". Its price target for NAB is \$36.50.

*Leading brokers with "underweight" and "lighten" ratings for NAB had price targets of \$30.80 and \$35.51 up from \$35.35 and respectively.

One broker said the UK CRE is a small part of the risk adjusted margin equation, and although a run off of non core CRE is positive for **group** ROE it will not be material. "NAB is still facing a \$1.97 **billion** core tier 1 headwind from the removal of gearing in the wealth subsidiaries' the broker said.

*Another broker said it believes NAB needs to pursue an "Australian Solution" renewing elements of the retail bank "break up" campaign, hold the dividend flat and revise its target payout ratio. The broker values Clydesdale at \$A4/5.3 **billion** but thinks the path to a **sale** of the UK bank remains difficult.

NAB up 19c to \$34.88.

Please note: We have a minute **stake** in NAB.

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QBE remains an "equal weight" ..

A leading broker following QBE's updated guidance today retained an "equal weight" on QBE with a \$11.70 price target. The broker said it targets full year 2014 estimated profits at \$US16.6 **billion**.

The broker said the mark to market headwinds were double what it had expected, with mark to market losses of \$US120 **million** excluding Argentina, vs its \$US60 **million** forecast.

The broker said the US recovery is making progress, with the **group** expense ratio marginally ahead of budget.

QBE down \$1.32.5 to \$10.56.5.

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Silex is a "hold" ..

A leading broker, who has long supported Silex with an "add" reduced its recommendation to a "hold" with a price target of 68c down from \$1.69.

The broker said GLE's change to the funding and pace of the commercialisation program was disappointing, particularly after SLX's announcement earlier in the month that it would concentrate its efforts entirely on the enrichment business.

"This is a major setback for SLX and unfortunately existing investors will need more patience. In the short term, the completion of the Paducah contract and divestments of non core assets may help the share price" the broker said in the report.

SLX down a half cent to 61.5c.

Please note: We have a minute **stake** in Silex.

Diggers & Drillers

Silver Lake is an "add" ..

A leading broker retained an "add" on Silver Lake with a price target of 54c, down from 63c after Silver Lake's positive quarterly report, with production exceeding guidance at Monger in full year 2014.

Guidance for 2015 was reduced to 125/135,000 ozs **gold** reflecting the closure of the Murchison operation and the suspension of processing at Lakewood, trimming 2014 production by around 20,000 ozs **gold** vs the previous forecasts. Silver Lake will now process all material through the 1.2Mtpa Randall's plant.

The broker said "Overall full year 2015 looks reasonably positive on costs and guidance but for 2016 and beyond we look for more clarity on the mine plan for Maxwell's, Magic and Imperial underground developments'.

SLR down 1.5c to 46.5c.

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Independence **Group** is an "underweight" ..

A leading broker with an "underweight" on Independence **Group** and a \$4.20 price target said IGO's current asset base offers exposure to nickel, zinc, **copper** and **gold**, but with declining reserves at Long

and Jaguar, base metal exposure is diminishing while **gold** exposure increases as Tropicana dominates earnings. The broker expects share price correlation to shift to **gold**, for which it has a bearish outlook.

IGO down 1c to \$4.86.

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Massive fall in **China**'s demand for **gold**, at least via **Hong Kong** - Mineweb

Mineweb reported on July 26, grateful thanks to Reader who forwarded, on July 25 **Hong Kong** Customs reported the lowest monthly level of **Chinese gold** imports through **Hong Kong** year on year since January 2013.

Following very strong import numbers around **Chinese** New Year, overall **China**'s net imports via **Hong Kong** are down by 12% with the March to June period down a massive 42%.

Meanwhile the **Chinese Gold** Association recently announced that **Chinese gold** demand for the first half of the year was down 19.4% year on year to 569.45 tonnes vs 706.36 tonnes last year.

However, Mineweb added, it is likely that other ports of entry, notably Beijing and Shanghai are becoming ever more significant trade routes for **gold** being imported into **China**.

Koos Hansen's monitoring of the Shanghai **Gold** Exchange numbers may well thus provide the better pointer to overall **Chinese** demand available to Western analysts.

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