

HD BARELY DOWN, BUOYED BY EXPECTATIONS OF CHINA STIMULUS

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The S&P/ASX200 closed barely lower, down 1.7 points to 5406.5 on good volume worth \$3.9 billion. There were 525 issues higher and 416 down. The SPI Futures. Aussie 10 year bond yields were down 2 points to 3.81%. The \$A is at 94.02US c, up about 60 points from last evening.

*The banks contributed 10.5 negative points to the index, insurers contributed 0.5 positive points, resources contributed 3 positive points, property trust s contributed 0.8 positive points, retailers were Neutral, Telstra contributed 1.4 positive points.

*At 4pm AEST the Nikkei Dow futures was down 20 points to 14,410 points, Shanghai CSI physical was down 2.13 points to 2048.59, Hang Seng futures was up 263 points to 22,462 points, S&P futures was up 2 points to 1896.3, Nasdaq futures was down 20 points to 14,410 points, Dow futures was up 13 points to 16,688 points.

Spot gold was steady at \$1294. Crude futures was up 36c to \$102.06.

*Bloomberg reports Chinese builders rose in Hong Kong and the Australian currency strengthened after the People's Bank of China told 15 banks yesterday to "improve efficiency of service, give timely approval and distribution of mortgages to qualified buyers" and urged lenders to give priority to first home buyers while strengthening their monitoring of credit risks, Bloomberg reported.

OVERSEAS INVESTORS LIKELY TO HAVE PLAYED THEIR PART

Our market closed barely lower - or in the positive if the ex div effect of three major banks today is excluded - with the budget by and larger well regarded by the business community but with mixed feelings at best by private citizens. Offshore buying is likely to have played a part, given the strong rise in the dollar.

"Ceiling will be 5520, floor will be 5460. Close at 5483, down 15.2 points'

Daniel Goulding, the author of "the Sextant Report" said, "Our market looks set to open relatively flat with the local futures contract up 1 point.

"Index leadership was bearish again overnight in the US with both the NASDAQ and the Russell 2000 closing lower.

The latter was down more than one percent. US regional banks also essentially erased the prior days gains. These bearish tells are consistent with moderate downside risk over the next one to two weeks.

"In terms of our market, I have no idea how it will respond to the budget. From a technical viewpoint however, yesterdays move should see us likely exceed yesterday's highs before pulling back.

"The ceiling will be 5520. The floor will be 5460. When the dust has settled, the market will have closed at 5483, down 15.2 points'.

The S&P/ASX200 closed up 49.8 points to 5498.2 after a high of 5504.6.

TOP STOCKS

*SonicHealth fell 79c to \$17.49 on 2.25m shares.

*Ramsay Health fell 29c to \$46.02 on 586,679 shares

Among the financials, AMP closed up 1c to \$5.31 on 7.4m shares, ANZ rose 25c to \$33.15 on 3.6m shares, CBA gained 99c to \$80.89 on 1.7m shares, also quarterly review below. NAB ex 99c closed down 90c to \$33.60 on 8.8m shares, Macquarie ex \$1.60 closed down 84c to \$59.16 on 4.5m shares, Westpac ex 90c closed down 94c to \$34.20 on 12m shares.

Among the TMT's Telstra rose 3c to \$5.28 on 20.25m shares, Telecom New Zealand rose 1c, SingTel rose 4c to \$3.27 on 260,000 shares.

Among the resources BHP closed up 34c to \$38.30 on 4.4m shares, RIO fell 7c to \$62.78 on 3.8m shares, Fortescue fell 7c to \$4.73 on 14.4m shares. Atlas **Iron** was down 3c to 79.5c on 9.6m shares. PanAust rose 6c to \$2.18 on 24.1m shares after the takeover offer yesterday, Paladin fell 2c to 42c on 2.34m shares.

Among the oils, Woodside rose 37c to \$41.70 on 1.6m shares, Santos was down 6c to \$14.20 on 1.98m shares. **Oil** Search rose 2c to \$9.17 on 1.9m shares.

Among the golds, Newcrest rose 1c to \$10.30 on 1.49m shares, Northern Star was down 2.5c to \$1.17.5 on 3.2m shares, St Barbara rose 1.5c to 321.5c on 1.18m shares, Saracen gained 3c to 34c on 5.4m shares. Resolute was up 1c to 60c on 1.25m shares.

AT THE SMALLER END

*Metals Ex rose 2.5c to 24.5c on 10.37m shares on the report below.

*McMillan Shakespeare rose 31c to \$11.22 on 520,754 shares.

*Mortgage Choice rose 13c to \$2.88 on the report below .

NEW LISTING/FLOAT

*Two biggest floats to date scheduled for May 23 - Reuters

Reuters reports US financial services giant Genworth Financial Inc will sell 34% of its Australian subsidiary Genworth Mortgage Insurance Australia Ltd in the second biggest float of the year. The offer is behind only Pacific **Equity** Partners' attempt to raise \$A1 **billion** by floating 49% of services **company** Spotless Group, also on May 23.

Genworth completed a retail bookbuild via bankers Goldman Sachs with strong support. Institutional book build is expected to complete on Thursday before determining pricing.

NEWS OF THE DAY

*Nathan Tinkler has acquired Peabody **Energy**'s Wilkie Creek **coal** mine in Queensland for \$150 **million**, according to "The Australian".

Ex div: BTT ex 16c, MQG ex \$1.60, UOS ex 2c; NAB ex 99c. WBC ex 90c.

*In the Ukraine, separatists killed seven Ukrainian soldiers and wounded eight others with one separatist killed last night.

*Changes in substantials reported May 12 and 13 inc posted separately.

*Report on the Budget posted separately.

Dear Valued Readers,

Abbreviated report, apologies - Telstra still only has a recorded message saying it has serious problems in Melbourne, can't give the time they will be fixed.

(Lost internet connection shortly after morning report - it took 1 hour waiting on the phone for Telstra to respond, after which Gerald went to buy the dongle to activate wi-fi on one computer vs the 5 we operate between us normally.

Hopefully all will be well tomorrow.

Deepest apologies.

Regards,

LARGE CAP INDUSTRIALS

*CBA: Cash earnings approx \$2.2 bln, credit quality stable/Tier 1 ratio 11.6%

Commonwealth Bank of Australia Ltd announced the unaudited cash earnings for the three months ended March 31 were approximately \$2.2 **billion**. Statutory net profit on an unaudited basis for the same period was approximately \$2.3 **billion** with non cash items treated on a consistent basis to prior periods.

Credit quality was stable with impaired assets unchanged at \$3.9 **billion**. Strong provisioning levels and coverage ratios were maintained with the economic overlay unchanged. Total loan impairment expense was \$204 **million**.

Liquid assets stood at \$144 **billion**, customer deposit funding at 63% and the average tenor of the wholesale funding portfolio at 3.9 years. The Group has completed \$29 **billion** of new term issuance this financial year, largely meeting the required task for 2014.

The Group's APRA Common **Equity** Tier 1 ratio at March 31 was 8.5% while internationally harmonised CET was 11.6% compared to 8.5% and 11.4% respectively at December 31.

Bankwest performed well, highlighted by above system home lending.

The New Zealand economy continued to gain momentum. Retail deposits in New Zealand continued to grow above system.

Market Cap \$131b.

CBA up 99 cents to \$80.99

*CSR: T/around NPAT in line with expec/5c unfr div, DRP avail/outlook positive

CSR Ltd for the year ended March 31 announced a net profit after tax up 143% to \$72 **million** on revenue up 4% to \$1.746.6 **billion**.

The statutory net profit was \$88.1 **million** vs a statutory net loss of \$150 **million** last year.

A 5c unfranked final dividend was announced, record date June 5. The DRP is available. Shares will be purchased on market by CSR for the DRP.

EBITDA as up 29% to \$202.5 **million** reflecting higher earnings across all businesses. EBIT was up 85% to \$125.7 **million**.

EPS was 14.2c up from 5.8c last year.

NTA backing per security was \$2.16 vs \$2.05 last year.

Managing director Rob Sindel said in the report CSR's significant restructuring during the year greatly assisted the group's performance.

For the year ended March 31 CSR paid net asbestos related claims of \$33.8 **million**, down 3% on the previous year.

Building Products trading revenue rose 6% to \$1.029.2 **billion**. EBIT rose to 9% from 8%.

Lightweight Systems include Gyprock, plasterboard, Cemintel, fibre cement, Collector and Potter interior systems and Hebel lightweight concrete products. Lightweight Systems trading revenue was up 7% to \$745.1 **million**.

Bricks and Roofing including PGH bricks and Monier roofing businesses, trading revenue increased by 5% to \$284.1 **million**.

Viridian trading revenue was down 2% to \$262 **million** and EBIT was down 62% to negative \$14.9 **million**, largely due to restructuring.

Aluminium prices declined through the year.

Gove Aluminium Finance (CSR 70%) realised price in \$A was up 2% to \$2.328 mln. The property division delivered earnings of \$17.3 million.

Outlook

CSR expects increased demand for its products over the next few years, with Bilding Products also benefiting from expansion into new markets hrough recent acquisitions including AFS. Viridian remains on track to end the year at breakeven EBIT, in Aluminium for the 2015 year 50% of net sales are hedged at average price of \$2.176 per tone before premiums.

Property earnings are always subjected to timing with a target of \$15/20 million per year, and a solid pipeline of transactions under negotiation.

Analysts expectations: \$71.8 mln, div 5c/norm NPAT \$71.9mln/consensus \$71 mln.

The Financial Times reports as of May 09, 2014, the consensus forecast amongst 30 polled investment analysts covering CSR Limited advises investors to hold their position in the company. This has been the consensus forecast since the sentiment of investment analysts deteriorated on Nov 09, 2011. The previous consensus forecast advised that CSR Limited would outperform the market. There wee 5 "buys", 4 "outperforms", 12 "holds", 7 "underperforms" and 1 "sell".

*On May 1 a leading broker reduced its rating on CSR from "overweight" to "equal weight" with a price target of \$3.47.

The broker said, "CSR's outperformance has primarily been driven by domestic building products improvement. Further outperformance requires a premium applied to full year 2016 earnings. Given few catalysts to realise upside in full year 2016 and potential for negative surprises in the Federal Budget, we downgrade to equal weight".

The broker added it continues to prefer CSR over BLD.

Market Cap \$1.7b.

CSR down 17 cents to \$3.34

*FDC: Occupancy rate of 99.4% at end of quarter/outlook positive

Federation Centres for the March quarter announced its portfolio recorded a solid underlying operating performance with an occupancy rate of 99.4%. Annual sales growth for the year to March 31 was 1.6% with specialty retailers recording annual sales growth of 1.8%.

For the period FDC acquired syndicate properties totalling \$81.6 million at a weighted average cap rate of 8.95%. This only required the purchase of \$15.5 million of external equity after allowing for existing FDC equity already invested in each syndicate. All properties were acquired at book value as at December 31.

Since conclusion of the quarter FDC moved to acquire Meadow Mews shopping centre in Tasmania for a liquidity mechanism. FDC will seek to continue to acquire assets and transition out of the majority of the syndicate business by end 2014. FCDC also commenced marketing of several assets for disposal during the period.

Market Cap \$3.5b.

FDC up 1 cent to \$2.44

*WOR: Awarded long term engineering services contract in Trinidad + Tobago

WorleyParsons Ltd announced it has been selected as the main provider of full service engineering and project and portfolio management services under a Master Services Agreement for the Atlantic Company of Trinidad and Tobago's four LNG trains, located in Point Fortin, Trinidad and Tobago.

The Master Services Agreement is a long term improve contract for portfolio management services that include engineering management, FEED, special studies, procurement services, EPC bid package preparation, process hazard and safety analysis, detailed design and project execution support.

Market Cap \$4b.

WORd 3 cents to \$16.42

LARGE CAP RESOURCES

*BHP: Reviewing **sale** of all or part of nickel operations in Australia

Bloomberg reports BHP is reviewing the **sale** of all or part of its nickel **mining**, refining and smelting **operations** in Australia as part of a review of its non core **operations**. This follows the decision to cease **operations** at the Perseverance underground mine because of safety concerns in December, BHP said in an emailed statement.

BHP has booked impairment charges on the Nickel West assets of almost \$1.6 **billion** in the past two fiscal years after prices for the metal fell. The **operations** produced 103,300 tons in fiscal 2013.

Market Cap \$128b.

BHP up 34 cents to \$38.30

*RIO: Pilbara mine, rail and ports reaches 290Mtpa 2 months ahead of schedule

Rio Tinto announced a major milestone for its Pilbara **iron ore** system of mines, rail and ports, Australia's largest integrated **mining** project, reaching a run rate of 290 **million** tonnes a year two months ahead of schedule.

Early completion of the expansion has added significant value to the Pilbara **operations**.

RIO said in the report there is likely to be some run rate variability in coming months as Rio completes its 360 Mtpa expansion and realises the integration of Auto-Haul, the world's first automated heavy haul rail system.

Market Cap \$93b.

RIO down 7 cents \$62.78

*ZTA:\$US850,000 loan agreed with GM Investment, a major s/holder

Zeta Petroleum Plc announced it has agreed terms of a \$US850,000 loan with GM Investment & Co Ltd, a major shareholder in the **company**. The Loan will be used to help fund the **company**'s 2014 work program and also support working capital.

The loan is for a period of 48 months, has a 10% coupon with interest being accrued monthly and paid on maturity and is secured over the assets of Zeta. Monthly repayments will commence in month seven after drawdown with the option to repay in advance of term if cashflow allows.

Market Cap \$1.6m.

ZTA steady at 0.7 cents

MID TO SMALL INDUSTRIALS

*CYO: Asks for suspension/qualification as going concern/possible purchaser

Clarity OSS asked for suspension following its advice in the Appendix D document relating to the six months ended December 31 that there was a qualification to Clarity's ability to continue as a going concern. Directors were hopeful discussions with a potential purchaser would be concluded in 4/6 weeks but have dragged on. If the current negotiations are not concluded by May 19, Clarity will be placing some of its subsidiaries and possibly itself, into administration.

*IMF: First claim to be funded in **Hong Kong**

Bentham IMF Ltd announced the High Court of **Hong Kong** has granted leave to liquidators to enter into a funding agreement with IMF with respect to legal proceedings against an auditor. This is the first claim that has been funded by IMF in **Hong Kong**.

Market Cap \$314m.

IMF up 1 cent to \$1.90

*MOC: NPAT for year expected to be up 16.5% on last yr excluding non core

Mortgage Choice Ltd advised following on from the strong first half results and the continued strength in housing demand, Mortgage Choice expects NPAT cash earnings for the full financial year to be

approximately 16.5% greater than the result for the previous financial year. This result excludes the profit from the **sale** of the LoanKit business, expected to be a 25% increase in NPAT cash earnings.

Core Mortgage Choice revenue is expected to be up in full year 2014 by over 8%, the third successive year of core revenue growth.

Also further to the announcement of the Plus One initiative on January 13 by CEO Michael Russell, recruitment approvals have been granted in relation to 47 new loan writers, with the group on track to achieve its target of 50 loan writer approvals by June 30 2014. Final results are expected to be announced on August 21.

Market Cap \$356m.

MOC up 13 cents to \$2.88

MID TO SMALL RESOURCES

*BOA: Paraburdoo licence application granted, Lake Austin Licence dropped

Boadicea Resources Ltd announced the **company's** Paraburdoo exploration licence application has been granted by the Department of Mines and Petroleum. The Licence E47/2936 is located 25 km west of Paraburdoo in Western Australia and comprises an area of 221 sq km. The **company** considers that the licence is prospective for **gold**, platinum group metals and nickel.

Also the **company** has relinquished its Lake Austin Licence E20/750.

Market Cap \$5.25m.

BOA steady at 20 cents

*MLX/RDR: Acquiring Meekatharra **gold** for \$7.1m cash, 24mRDR shares

MetalsX Ltd announced it has reached a binding agreement to acquire the assets that made up the Meekatharra **Gold Operations** of Reed Resources Ltd from the administrator of its subsidiary GMK Exploration Pty Ltd for \$7.1 **million** in cash and 24 **million** shares of Reed Resources Ltd (nominally \$600,000) conditional on FIRB approval and final approval by the creditors of GMK Exploration Pty Ltd.

Assets to be acquired include the fully refurbished Bluebird CP Process Plant (nominal 2.5Mtpa capacity), a 200 person fully refurbished camp, extensive infrastructure, service vehicles, equipment and inventory, a total mineral resource inventory of 3.55 **million** ounces as previously announced by Reed as of June 30 2012. A total **ore** reserve when operating of 752,000 ozs grading 11.1 Mt at 2.1gpt Au as previously announced by Reed as of June 30 2012.

Market Cap \$406m. / \$14m.

MLX up 2.5 to 24.5 cents / RDR up 0.2 to 2.7 cents

*OBL/SER: Acquires SER's 25% **stake** in Vic/P47 for scrip

Oil Basins Ltd announced further to the ASX releases dated November 18 2013 and February 20 2014 OBL has executed formal agreements with Strategic **Energy** Resources Ltd whereby the **company** acquires SER's 25% interest in Vic/P47 including the Moby Gas Field Location for 6 **million** new OBL ordinary shares at 2c each.

OBL has nominated that this interest be split 50/50 between OBL and OBL's wholly owned subsidiary Shelf **Oil** Pty Ltd.

Market Cap \$9m. / \$8.4m.

OBL down 0.1 to 1.3 cents / SER untraded last at 2.4 cents

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