

**HD MARKET EXPECTED TO CLOSE HIGHER TODAY**

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The S&P/ASX200 is likely to close higher today.

Europe, the UK and US markets rose.

On the NYSE where 3181 issues traded there were 1,997 issues higher, 1,053 down and 131 unchanged. On Nasdaq where 2691 issues traded there were 1,714 issues higher, 885 down and 92 unchanged.

Metals were higher, crude rose, **gold** was down. The \$A is at 89.10US c, down a few from last evening.

"High will be 5294, low will be 5245. Close at 5274, up 28.6 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open higher with the local futures contract pointing up 24 points. The Japanese yen pulled back a little again yesterday allowing equities more breathing space.

"Given that it is a canary in the coalmine, it will be interesting to know whether the sharp move north from a few days ago was an initiation move or just some volatility event.

"Overnight in the US, the Semiconductors and Trannies rushed forward, which is bullish. But bellwethers Goldman Sachs and GE have fallen behind the pace.

"Here in Oz yesterday, index leadership was bullish, paving the way for further gains in the very near term.

"Sector leadership was slightly bullish although the capital goods segment closed lower on the day. The evidence on the table remains consistent with a run to 5500 by late January to early February.

"In terms of today, the high will be 5294. The low will be 5245. When the dust has settled the market will have closed at 5274, up 28.6 points".

The S&P/ASX200 closed up 33.4 points to 5245.4 last evening.

January 16. Good morning.

\*The OECD area GDP rose 0.6% in the third quarter, unchanged from the second quarter.

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 mostly higher. AWC was steady on 460,000 shares, Rio fell 18p on 2.1m shares, BHP rose 52c on 4.9m shares, News fell 3c on 480,000 shares, Fox rose 44c on 6.9m shares, Westpac rose 12c on 152,000 shares. Telstra gained 1c on 300,000 shares. Resmed rose 9c on 10.6m shares.

PSivida rose 23c on 206,000 shares. Prana rose 0.5c on 1.8m shares.

In London Anglo American rose 70p to 1332.5p on 7.1m shares\*, Aquarius fell 0.75p to 37.5p on 1.3m shares, BskyB fell 1.5p to 869.5p on 4.1m shares, BHP rose 10p to 1,791.5p on 6.7m shares, Henderson rose 0.10p to 229.5p on 1.1m shares, RIO rose 86p to 3,254p on 4.3m shares.

\*Anglo American rose on a UBS "buy" recommendation.

Trading points:

\*RIO: Record prod in iron ore, exceeds cost cutting targets, poss enhanced div?

Rio Tinto CEO Sam Walsh announced record production for iron ore, bauxite and thermal coal in 2013. The CEO added, "We have exceeded our cost cutting targets for the year and announced or completed \$3.5 billion of non core asset sales. These actions together with lower capital expenditure in 2013 and beyond will ensure that Rio Tinto is well positioned to deliver greater value to shareholders".

Our thought only: Does this mean a possible higher than expected dividend?! Current dividend forecast for the year is \$US1.90 or thereabouts.

Non core asset divestments totalled \$3.5 billion in 2013 of which \$2.5 billion was completed in 2013.

Also on January 8 Turquoise Hill announced its \$2.4 billion rights offering was fully subscribed. Proceeds will be used to repay loans outstanding to Rio Tinto, resulting in a \$1.2 billion reduction in Rio's consolidated net debt.

December quarterly iron ore production, shipment and rail volumes was also at a record, with iron ore production up 6% to 70.4M ton a 100% basis on the previous corresponding period (pcp), with full year production of 266 Mt, up 5% on the pcp.

Mined copper production was up 5% on the pcp to 172.8Kt (Rio share) and was up 15% for the year to 631.5Kt.

Bauxite production was up 7% on the pcp to 11.4Mt (Rio share) and up 10% for the year to 43.2Mt.

Aluminium production was down 4% on the pcp to 868Kt (Rio share) and was up 3% to 3,555Kt for the year.

Hard coking coal production was up 25% to 2.4Mt (Rio share) for the quarter vs the pcp and was up 2% to 8.2Mt for the year.

Semi soft and thermal coal production was down 9% vs the pcp to 6.5Mt (Rio share) for the quarter and was up 12% to 26.8Mt for the year.

Titanium dioxide feedstock was down 20% to 361Kt (Rio share) for the quarter vs the pcp and was up 2% to 1,622Kt for the year.

Production of iron ore, copper and bauxite was up 3%, 6% and 2% vs the September quarter. Aluminium production was down 1% on the September quarter, Hard coking coal production was up 7% on the September quarter, semi soft and thermal coal was down 7% on the September quarter and Titanium dioxide feedstock was down 3% on the September quarter.

Analysts expectations: A leading broker forecasts Pilbara iron ore production (managed by RIO) of 65.1Mt, up 1% sequentially and up 5.5% year on year. Sales are expected to be ahead of production with shipments estimated at 69Mt, up 8% quarter on quarter.

Coal and copper production are expected to be flat quarter on quarter.

Bauxite and alumina production are expected to decline 1% and rise 4% respectively.

Aluminium production is expected to decline 2% quarter on quarter.

The broker has a "buy" recommendation on RIO with a price target of \$80.

\*WPL: Woodside reports December quarter production.

Ex div: TWR ex div

Overseas

The DJIA closed up 108.08 points to 16481.94

S&P 500 rose 9.5 points to 1848.38

NASDAQ gained 31.86 points to 4214.88.

US 10yr bond yields were steady at 2.88%

The US\$ rose 44 points to 104.61 Yen.

The Euro fell 77 points to 1.3603US c.

The Yuan fell 54 points to 6.0463/\$US1.

FTSE 100 closed up 53 points to 6819.86. European markets closed higher.

The Nikkei Dow last evening closed up 386.33 points to 15,808.73.

Shanghai SE Comp IX fell 3.49 points to 2023.35.

#### 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.

**Copper** rose \$70 to \$7,350/gained \$124 to \$A8249. Stockpiles fell 1,525 tonnes to 336,250 tonnes.

Aluminium was up \$25 to \$1,784/rose \$39 to \$A2002. Stockpiles fell 7,800 tonnes to 5,453,525 tonnes.

Nickel rose \$195 to \$14,535/gained \$309 to \$A16,313. Stockpiles rose 528 tonnes to 261,900 tonnes.

Zinc was up \$15 to \$2,081/rose \$30 to \$A2336. Stockpiles fell 4,425 tonnes to 892,300 tonnes.

**Lead** added \$23 to \$2,211/rose \$40 to \$A2481. Stockpiles fell 500 tonnes to 211,500 tonnes.

Tin gained \$200 to \$22,400/rose \$364 to \$A25,140. Stockpiles fell 20 tonnes to 9,580 tonnes.

**Iron Ore** n/a as yet.

Steel was indicated at \$355/365.

Cobalt was indicated at \$26,750/27,250.

Molybdenum closed at \$21,750 with stockpiles falling by 2 lots.

WTI crude rose \$1.58 to \$94.17/rose \$2.35 to \$A105.69.

Brent Crude rose 74c to \$107.13/gained \$1.50 to \$A120.24.

The **Energy** Information Administration said for the week ending January 10 crude supplies fell 7.66 **million** barrels to 350.2 **million**, the lowest level since March 2012 and vs a 1.3 **million** barrel fall expected. Imports of crude fell 13%, the biggest decline since September 2012. Inventories of crude at Cushing, Oklahoma, the delivery point for WTI traded in New York rose 145,000 barrels to 40.9 **million**.

US crude production rose 14,000 barrels a day to 8.16 **million** in the week ended January 10, the most since 1988, the EIA reported. Refineries operated at 90% of capacity, down 2.3% from the prior week.

Spot **gold** fell \$3 to \$1,241/rose \$4.42 to \$A1393. Spot silver fell 3c to \$20.16/rose 9c to \$A22.63. Spot platinum was steady at \$1,428/rose \$9 to \$A1603. Spot palladium gained \$5 to \$741/roe \$10 to \$A832.

#### Overseas eco news

In US eco news, the Fed Reserve Bank of New York's general economic index rose to 12.51 in January up from a revised 2.22 the previous month and vs up to 3.5 expected.

\*The Fed Reserve's Beige Book **business** survey found the US economy expanded at a moderate pace in the final weeks of 2013.

\*The US PPI rose 0.4% in December from November, led by a jump in **energy** Costs, the Labor Department reported, following two months of declines.

\*The Mortgage Bankers Association reported US mortgage applications rose 11.9% last week with applications to refinance up 11%. The average rate on 30 year fixed rate mortgages with conforming loans fell to 4.66% from 4.72% the prior week. Rates on 30 year fixed rate mortgages with jumbo loan balances down to 4.58% from 4.66%. The average rate for a 30 year fixed rate mortgage backed by the Federal Housing Administration fell to 4.29% from 4.36% a week earlier. The average rate for a 15 year fixed rate mortgage fell to 3.72% from 3.77%.

\*The German GDP grew by a weaker than expected 0.4% in 2013, De Statist reported in its preliminary findings, vs growth of 0.7% in 2012.

However, most economists expect the economy to bounce back in 2014 with growth of up to 2%. The government is forecasting up 1.7%.

Overseas **equity** news

\*In the US of the Dow 30 there were 24 stocks higher and 6 down.

JPMorgan Chase led the winners, up \$1.71 or 2.96% to \$59.45 followed by Microsoft, Verizon and Caterpillar.

Bank of America rose 2.5% to \$17.19 after reporting profit more than quadrupled last night.

Merck fell furthest, shedding 50c or -0.94% to \$52.50 followed by Wal-Mart, Exxon and Chevron.

General Motors shares fell 58c or 1.45% to \$39.44 although it announced yesterday it will pay its first dividend since 2008 but said it expects profit margins this year to be similar last year. Ford rose 39c or 1.80% to \$6.70. NetApp rose 7.8%.

Apple rose 2% to \$557.34 after **China** Mobile said pre-orders for the iPhone have reached about 1 **million** units ahead of sales to begin later in the week.

Regeneron Pharmaceuticals fell 4.1% to \$288.02 on an analyst downgrade.

Tesla rose 2.3% to \$165.03 after CEO Elon Musk told CNN late Tuesday the **company** is on track to produce a cheaper mass market car in three years and plans to offer a full size pick up similar to the Ford F-150 within 4/5 years. Netflix fell one day after the Federal appeals court struck down Fed Communications Commission rules that prohibits internet service providers from restricting access to legal Web content. Netflix was the biggest loser in the Tech 30 index. Netflix fell \$7.58 or 2.24% to \$330.38 on market and another \$2.97 or 0.9% after hours to \$327.41.

Shares of 3D printer maker ExOne fell 8.1% after warning late Tuesday that revenue would be far below its earlier forecasts. The warning follows disappointing guidance from 3D printer maker Stratasys earlier in the day. Stratasys rose 2.8%.

\*In Europe, national benchmark indexes rose in 17 of the 18 countries, with Iceland the only weakener. Peugeot rose 3.7% to Euro 11.37 and Daimler rose 2.9% to Euro 65.50 with European car makers posting the biggest rise of 19 industry groups in the Stoxx.

Nordic region tyre maker Renkaat rose 4.4% to Euro 35.84. Hennes & Mauritz rose 2.7% to SKr291.80 after posting a 10% sales increase in December vs up 9.1% expected. Chr Hansen, the world's biggest maker of **dairy** enzymes fell 4.8% to DKr200.60 after net income came in below analyst expectations.

Lufthansa rose 4.42% to Euro 18.54, K+S gained 4.35% to Euro 25.42, Bayer was up 3.66% to Euro 133.50 and Deutsche Bank gained 3.12% to Euro 39.96.

\*In the UK Burberry led the way higher after reporting quarterly revenue that exceeded estimates, rising 4.6% to 1,537p. Hargreaves Lansdown Plc, the UK's biggest retail broker fell 4.1% to 1,446 p after saying it needs 3.5 **billion** pounds of new assets over three years to compensate for a change in its prices, after cutting its fees for client investments.

Standard Life rose 2.3% to 385.9p, a five month high. Centrica fell 3.5% to 35.5p while SSE fell 2.2% to 1,320p on a broker's downgrade, citing an uncertain outlook for UK **energy** supply and the threat of shrinking profit margins.

EasyJet fell 0.6% to 1,685p on a broker downgrade.

Petropavlovsk fell 4.3% to 72.75p after Canaccord Genuity cut its rating to "hold" from "buy".

Tullow **Oil** rose 0.8% to 863p on two successful wells in Kenya. Chipmaker CSR fell 2.2% to 680p after Samsung **sold** its 4.9% **stake** at 660 p a share.

In other news

\*France announced last night it was launching the **sale** of around 1 % of the capital of European aerospace **company** Airbus **Group** (AIR.PA) (formerly EADS), its latest divestment to raise cash for the strained state-coffers.

The **sale** of the 8 **million** Airbus **Group** shares via an accelerated placement with institutional investors would not change the French state's position in the governance of the **company**, the Finance Ministry said in a statement.

The **sale** follows a Franco-German ownership shakeup last year at Airbus **Group**, which calls for the German state and the French state to each hold 11 % of Airbus **Group's** voting rights.

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