

HD MARKET DOWN A FEW AT MIDDAY IN THIN TRADING

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The S&P/ASX200 is down 7.3 points to 5402.6 points at midday on light volume worth \$1.2 **billion**. There are 423 issues higher and 369 down. The SPI Futures is down 11 points to 5399 on light volume of 4061 contracts. Aussie 10 year bond yields are down 1 point to 4.11%. The \$A is at 92.34US c, up a few on early levels.

*The banks have contributed 5 negative points to the index, insurers have contributed 0.4 negative points, resources have contributed 1.5 negative points, **property** trusts have contributed 0.8 positive points, retailers have contributed 2.1 negative points and Telstra has contributed 1 negative point.

*The Nikkei Dow futures is down 20 points to 15,060 points, Shanghai CSI physical is down 15.29 points to 2043.70, Hang Seng futures is down 40 points to 22,514 points, S&P futures is up 3 points to 1886 points, Nasdaq futures are up 7.5 points to 3638.25 points, Dow futures are up 22 points to 16,523 points.

Goild futures are up 60c to \$1285.20. Crude futurs are up 11c to \$100.40.

Across the Asian region markets are trading quietly lower on a lack of macro or **company** news to inspire activity - and ahead of the US jobs number for March due out tonight.

"Ceiling 5435. Floor 5390. Close at 5400, down 9.9 points'

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open lower with the local futures contract down 1 point. This week has been rather difficult to forecast given the slow grind up that we have seen.

"This slow grind in addition to a number of other bearish tells is entirely consistent with a decline back to at least 5250 before the final run up.

"But it is also consistent with a move to a new rally first, probably 5550, which would be the penultimate/final high.

"I have been basing my forecasts on the former scenario playing out, and I will do the same today but in all honesty it is probably now a line ball decision so I will hedge my bets with the high.

"The ceiling will be 5435. The floor will be 5390. When the dust has settled, the market will have closed at 5400, down 9.9 points.

The S&P/ASX200 closed up 6.6 points to 5409.9 last evening.

The week ahead:

Apr 7: ANZ job ads. Aussie PCI. Ex div: HVN ex 6c; NUF ex 3c; SDI ex .2c. US consum. Cr.

Apr 8: NAB biz conditions. ERA qtr; US JOLTs job op, UK IP.

Apr 9: Aussie hom loans. WMI consum sent Ex div: BKW ex 14c; CDM ex 5c; TPM ex 4.5c; US MBA Mort ind, wholesale inv, crude inv. FOMC mins.

Apr 10: Aussie March jobs. Ex div: PMV ex 20c; US jobless, exp/.imp prices. Treasury Budget. **China** loans, trade bal. UK BOE decision.

Apr 11: Aussie fin commit. BOQ int. Ex div: FFI ex 10c; NHC ex 6c; SOL ex 19c; VELIN ex 5.3c; WAA ex 4.8c, WAX ex 3.8c. **China** CPI. US PPI, Mich Sent.ppt

TOP STOCKS

*Boral is up 5c to \$5.74 on 4.9m shares while CSR is up 1.5c to \$3.58.5 on 1.2m shares on the report below.

*Xero is up 34c to \$34.86 on 53,000 shares, also report below.

Among the financials, AMP is down 1.5c to \$5.05.5 on 1.7m shares, ANZ has shed 4c to \$33.17 on 1.19m sharers, CBA is up 35.5c to \$76.67.5 on 507,665 shares. NAB is down 9.5c to \$35.27 on 1.14m shares, Westpac as down 14.5c to \$34.32.5 on 1.5m shares.

Among the TMT's Telstra was down 2.5c to \$5.06.5 on 10.19m shares, Telecom New Zealand is steady at \$2.34 on 809,760 shares, SingTel is down 2c to \$3.13 on 193,515 shares.

Among the resources BHP is down 13c to \$37.40 on 1.49m shares, RIO is down 27c to \$63.41 on 585,769 shares. Fortescue is up 5c to \$5.44 on 3.13m shares, Atlas is up 1c to 97c on 2.18m shares, Paladin is up 1c to 46c on 4.9m shares. Iluka has gained 10c to \$9.82 on 739,625 shares.

Among the oils, Woodside is down 7c to \$38.74 on 330,129 shares, Santos is up 21c to \$13.42 on 642,469 shares. **Oil** Search is up 4c to \$8.46 on 553,692 shares.

Among the golds, Newcrest is up 6c to \$9.93 on 732,041 shares, Kingsgate is up 2c to \$1 on 1.4m shares, Alacer is down 5c to \$2.83 on 75,403 shares, Oceana is up 2c to \$2.47 on 301,143 shares.

AT THE SMALLER END

*Hills Industries is up 14c to \$1.84 on 400,000 shares on the report below.

*Codan (metal detector sales, mainly in South Africa) is up 4.5c to 64.5c on 406,937 shares.

NEWS OF THE DAY

***Iron Ore** rose 20c to \$115.20.

Trading points: Our Week's Special is on " CNN: Customers Include Some Of The World's Largest Consumer Goods Companies, Testimony To The Eagerness With Which Cardia's Low CO2 And Fully Compostable Packaging Made From Renewable Materials Is Sought - And To CNN'S Tenacious, Knowledgeable And Energetic Management" posted separately.

LARGE CAP INDUSTRIALS

*AHE: SPP at \$3.49 to be launched, capped at \$10 mln

Automotive Holdings **Group** Ltd announced it will shortly launch a share **purchase** plan offering eligible shareholders the opportunity to subscribe for new shares up to a value of \$15,000 at \$3.49 per new share. The amount to be raised is capped at \$10 **million**.

*CSR/BLD: To combine brick **operations** in NSW, Vic, Qld, SA, Tas, ACT

CSR Ltd and Boral Ltd announced they propose to form a j/v to combine their brick **operations** located on the east coast of Australia including **operations** in NSW, Victoria, Queensland, South Australia, Tasmania and the ACT.

CSR and Boral will approach the ACCC to seek clearance for the **transaction**.

The proposed j/v will be owned 60% by CSR AND 40% by Boral to reflect the relative valuation of the two businesses. No cash consideration is proposed.

Brick demand in Australia has experienced a sustained structural decline with bricks becoming an increasingly smaller component of the broader cladding market. Lower brick demand has resulted in declining capacity utilisation, reduced profitability, plant curtailments and closures.

Combined revenue in the order of \$230 million, initial overhead savings of \$7/10 million per annum following the formation of the j/v and integration of the businesses. Longer term, the consolidation of selected manufacturing sites will lower unit costs of production and enable both companies to develop selected high value land assets without impacting product range and operational capability. It also positions the business to deliver returns that recover the cost of capital through building cycles.

The companies said a change in the dwelling mix away from detached houses, traditionally more brick intensive towards multi residential units, the virtual elimination of double brick construction from detached houses on the east coast for frame and cladding systems with single brick veneer, emerging trends in external facades to alternative cladding materials have reduced brick demand and impacted the brick industry as a whole.

Cost synergies and the ability to develop certain sites over time without forgoing a similar product range or operational capability is expected longer term.

*FSF/WOW: Fonterra wins long term milk supply contract to Woolworths

"The Age" reports New Zealand dairy giant Fonterra will start supplying private label milk to Australian supermarkets for the first time after winning a long-term milk supply deal with Woolworths.

After a competitive tender, Woolworths has awarded its private label milk contract in Victoria - previously held by Lion Dairy & Drinks - to Fonterra and given it a 10-year rather than a two-year contract.

The deal will see Fonterra invest more than \$30 million into a state-of-the art milk processing plant at its Cobden site in South West Victoria, creating 30 new jobs.

The Victorian contract is believed to be worth about \$60 million a year.

Woolworths has also awarded a 10-year private label milk contract in Queensland to Parmalat, which has been Woolworths' supplier in that state for several years.

In Western Australia, Lion Dairy & Drinks also lost its contract to Perth-based processor Brownes Dairies, which has won a 7.5 year contract

Woolworths' decision to award long-term contracts in Victoria, Queensland and Western Australia follows the lead set last April by Coles, which signed a 10-year private label contract with Murray Goulburn for Victoria and NSW.

*TCL/Others: ACCC not to oppose acquisition of Qld Motorways Group

The Australian Competition and Consumer Commission will not oppose the proposed acquisition by the Transurban Consortium including Transurban Group of the toll road and associated assets of Queensland Motorways Group. Transurban will be the entity responsible for operating the QM Group tollroad assets. The consortium includes AustralianSuper Pty Ltd, Tawreed Investments Ltd, Transurban Holdings Ltd, Transurban International Ltd and Transurban Infrastructure Management Ltd. ACCC Chairman Rod Sims said in the report the ACCC concluded the acquisition of QM Group's tollroad operations in Queensland would be unlikely to substantially lessen competition.

*XRO: Revenue for yr to March 31 up 83%, 2nd half loss in line with 1st half

Xero Ltd announced operating revenue of \$NZ70.1 million for the year ended March 31 2014, up 83% up from last year's \$NZ38.4 million number.

With monthly committed subscriptions growing to \$NZ7.8 million the recurring revenue model means that Xero commences its 2015 financial year strongly with \$NZ93 million in annualised subscriptions, up 81% on the \$NZ51.5 million reported for the same time last year. The net loss after tax for the second half of the year ending March 31 2014 is expected to be similar to that reported for the first half, resulting in a full year loss of approximately \$NZ35 million vs \$NZ14.4 million last year. Xero has expanded its team to 758 employees, adding 376 employees in the 2014 financial year, and has \$NZ210 million of cash to fund its growth.

The strong NZ dollar adversely impacts reported operating revenue given that 66% of revenue is denominated in foreign currencies. On a constant currency basis Xero grew operating revenue by 92% in the period.

Xero now has 284,000 paying customers - 102,000 in NZ, 109,000 in Australia, 47,000 in the UK, 18,000 in North America and 8,000 in the rest of the world, up from 157,000 a year ago with subscription revenue up 84%.

LARGE CAP RESOURCES

*SBM: **Gold** Ridge **operations** in Solomon Mines disrupted by heavy rain

St Barbara Ltd advised **Gold** Ridge **operations** in the Solomon Islands has experienced over 500 mm of rain since April 2 due to a nearby slow moving tropical low pressure system. This represents the average monthly rainfall being received within 36 hours. The Solomon Islands Meteorological Service issued a Heavy Rain Warning at 5pm local time on April 3. Rain is continuing to fall and is expected to continue for the next several days. The open pit mines were closed at 3a.m. local time to ensure the safety of personnel and equipment. A section of the haul road has been temporarily damaged by flooding. The access road to the mine has been closed due to flooding. The processing plant continued to process existing stockpiles until 4pm local time. (Apr 3).

MID TO SMALL INDUSTRIALS

*APZ: **Sale** of Septimus Roe office bldg, Perth for \$91 mln

Aspen **Group** Ltd announced it has entered into an unconditional contract for the **sale** of the Septimus Roe Office Building in Perth. Settlement is expected to occur on or before June 25.

The **sale** price is \$91 **million** which is in line with net carrying value as at December 31 2013 since provisions for capital expenditure at the **property** will no longer be required. CEO Clem Salwin said following the **sale** of the **group's** interest in the ATO Adelaide, Septimus Roe is the next largest asset in the portfolio.

Proceeds will be used for debt reduction and also capital management initiatives as well as potential reinvestment in its new focus on the "value for money" sector.

*HIL: Acquires Questek, expanding health solutions division

Hills Ltd announced a further boost to its health solutions **operations** with the **acquisition** of another Australian business, Questek. The **acquisition** of Questek, a successful Australian business that provides integrated healthcar solutions builds on Hills expanding health solutions division including Merion Health Communications and Hospital Television Rentals (HTR) businesses, both acquired late last year. The Questek business, established 20 years ago and now with a presence in all Australian states is a leader in the design and manufacture of innovative nurse call systems and general healthcare monitoring systems. It has recently emerged with a substantial position in the widening market for patient infotainment systems. It is already installed in some 600 aged care facilities throughout Australia and more than 50 hospitals, in addition to Merlon's 225 sites and HTR's 80 sites.

*MYE: Anglo **Coal** Moranbah replacement umbrella contract extended 2 yrs

Mastermyne **Group** Ltd announced it has been awarded the Anglo **Coal** Moranbah region umbrella contract. The contract is for three years with options to extend annually for an additional two years. The contract will replace the existing umbrella contract at Moranbah North Mine which will expire on April 6. Anglo American opted not to trigger the one year option but instead replace the contract with this new contract for a further 3+1+1 years.

MID TO SMALL RESOURCES

*CAZ/VEC: Anglo American Exploration withdraws from Earahedy j/v

Cazaly Resources Ltd and Vector Resources Ltd have been informed by Anglo American Exploration (Australia) Pty Ltd that they have withdrawn from the Earahedy j/v (Anglo American was farming in for 75%).

Anglo American is responsible for all rehabilitation required. (Apr 3).

*CTM/AGO/Other: 5 mln placement at 12.5c for Jambreiro Project, Brazil

Centaurus Metals Ltd announced it has raised \$5 **million** to advance its Brazilian **iron ore** projects via a share placement at 12.5c per share, underpinned by major shareholders Atlas **Iron** Ltd and Liberty Metals **7 Mining** Holdings, LLC.

Funds raised will be used for early stage development works and procurement activities associated with the key components of the Jambreiro Project.

*DRK: Non ren 1 for 3 issue at 2.5c with free attachnig options on 1 for 3 basis

Drake Resources Ltd announced a non renounceable non underwritten entitlement issue on a 1 for 3 basis at 2.5c per share with free attaching options on a 1 for 3 basis with an exercise price of 5c and an expiry date of August 1 2015.

The offer will raise up to approximately \$1.3 million and will result in the additional issue of 52 million shares and 17.34 million options. Proceeds will be used to further explore and investigate Drake's assets across the Nordic region.

*WHN: Approval of 75% farmout of offshore Seychelles petroleum in train

WHL Energy Ltd announced it has received notice that regulatory approvals will be granted for the previously reported farm out agreement with Ophir Energy Plc,

farming in to earn a 75% interest in WHL Energy's offshore Seychelles petroleum exploration project area.

Under the terms of the farmout agreement, final approval was required from the government of the Seychelles and its regulatory representative PetroSeycheles for the farmout and an amended and restated Petroleum Agreement. The regulatory approval for the farm in will be granted, with an extension to the current Petroleum Agreement to April 30 2014 to allow all necessary documentation to be executed and completed, allowing the new approval to be formalised.

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