DOW JONES NEWSWIRES

HD **Australian Equities Roundup -- Market Talk**

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0519 GMT [Dow Jones] Although Macquarie (MQG.AU) gave little financial detail, it appears to have had a weak first quarter, says Nomura. The investment bank has reiterated guidance for fiscal 2015 profit to be broadly in line with FY14, which Nomura estimates implies about 9% underlying growth. Macquarie says 1Q operating profit from its divisions was lower year-on-year and quarter-on-quarter. "We would need to see some improvement in trends for the rest of the year to achieve this growth," Nomura says. It maintains a neutral stance and A$57/share target. MQG is trading down 2.7% at A$59.63. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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0507 GMT [Dow Jones] While tempered by this week's 2Q inflation print, Australian **bonds** have generally pushed higher over the last month with outperformance underpinned by shifting speculation over the RBA, says Su-Lin Ong, head of strategy at RBC Capital Markets, based in Sydney. But she says the short end of debt market may struggle to push through recent highs unless a move back to an easing bias is a genuine prospect. This would require a higher unemployment rate, waning policy traction, and a downward move in core inflation. She says this is not RBCCM's base case, expecting instead that cash rate is more likely to be hiked in 2Q 2015. (james.glynn@wsj.com)

0456 GMT [Dow Jones] Despite sharp gains in Australian house prices over the past year thanks to record-low interest rates Moody's Analytics says prices are overvalued only in some states and not the whole country. Moody's Analytics says some hot spots are emerging and concern will grow if prices in the two largest cities of Sydney and Melbourne show further acceleration. Prices in Sydney have moved from slightly undervalued to slightly overvalued but remain close to fair value. A problem may possibly be emerging more widely in New South Wales state, Moody's Analytics says. (james.glynn@wsj.com)

0232 GMT [Dow Jones] Ahead of earnings season Down Under, Deutsche Bank takes stock. Earnings forecasts held up well through much of the just-ended fiscal year, but there has been a rise in revisions in recent months, with average growth for FY15 trimmed even before the year really begins, the brokerage says. Weakened sentiment, a higher than anticipated Aussie dollar, lower commodities prices and shaky looking European growth are at fault. Deutsche Bank says analysts are not only anticipating mild improvements in revenue growth in FY15 but a sizeable pickup in margins, supported by cost cutting. At the same time, low interest rates and low corporate gearing, particularly for industrial and resources companies, raise the prospect of **M**&A activity, a point investors are likely to question companies on during earnings season, it says. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0214 GMT [Dow Jones] It's been slow going for the Australian equities market this year, with the ASX 200 rising only a few percent so far in 2014. Citi trims its forecast for the benchmark index to end the year at 5750 rather than 5850, although it remains optimistic and sees the ASX 200 moving toward 6000 by mid-2015. As it stands, the index is up 0.2% on Thursday to 5585.7. The index gained 15% in 2012 and in 2013. "The rise always looked likely to slow and the possibility now of little earnings growth again in FY15 has contained the market a bit more," Citi says. It anticipates FY15 earnings forecasts will be cut, although for the overall market by only a few percentage points. The main risks it sees for the market lie in the danger of a retracement if the U.S. Fed is required to tighten monetary policy sooner and from the domestic economy struggling to transition away from resources-led growth, although it adds neither seems a major threat at the moment. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0158 GMT [Dow Jones] The Australian dollar jumped from 95.82 to 96.17 against the yen, its strongest since July 2, after the preliminary HSBC **China** July manufacturing PMI came in at an 18- month high of

52.0 compared with the final of 50.7 in June. Further upside in the Aussie/yen cross may encounter resistance at 96.50-96.52, the July 1-April 4 swing highs. Spot AUD/JPY was recently at 96.12 versus 95.89 in late New York trade Wednesday. (jerry.tan@wsj.com)

0113 GMT [Dow Jones] Newcrest Mining Ltd.'s (NCM.AU) performance and assets don't warrant its current market valuation, say UBS analysts Jo Battershill and James Brennan-Chong. "We believe it is the simple function of size and liquidity that keeps NCM as the 'go-to' gold stock in Australia for many investors and not a function of asset portfolio quality," they write in a note. They keep a sell rating on the stock, with a price target of A$8.10 a share. "While Cadia Valley and Gosowong are 'world class', in our view the remaining assets are of very poor quality," the analysts say, adding, "Lihir remains a key uncertainty." While Lihir accounts for 35% of group output, there's "no apparent long-term plan" that's been explained to investors, they argue. NCM trades down 4% at A$11.03. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0055 GMT [Dow Jones] There are compelling arguments for and against Woodside Petroleum's (WPL.AU) buyback of shares from Royal Dutch Shell (RDSA.LN), says UBS. In the event shareholders vote down the selective buyback, the broker expects the Woodside board will implement an equal access buy-back, but adds shareholders need to be aware of a few issues. Firstly, the scale of an equal access buyback may be different from the Shell proposal; it will depend on the board's view of growth opportunities at the time of the approval. Secondly, UBS expects Shell to fully participate in the equal access buyback, so investors should expect significant scale back. Thirdly, Shell will remain a substantial shareholder with more than 10% interest but by its actions is not a longer-term holder, which could weigh on the stock. (rebecca.thurlow@wsj.com; @beckthurlow)

0041 GMT [Dow Jones] Australian shares are slightly higher early, taking their lead from the broadly positive tone of overseas markets. Mining stocks, however, have fallen following solid gains in recent days and CMC Markets notes another slip in the price of iron ore is likely to hinder any further advances. The S&P/ASX 200 is up 3.7 points, or less than 0.1%, at 5580.4, helped by modest gains in the big banks. BHP Billiton (BHP.AU) is down 0.4%, Rio Tinto (RIO.AU) is off 0.2% and Newcrest Mining (NCM.AU) has fallen 3.8% after warning it may book further hefty writedowns. Macquarie (MQG.AU) loses 1.7% after reiterating its full-year guidance. Looking ahead, investors are waiting for Chinese manufacturing PMI numbers during the trading session. "Recent data from our largest trading partner has pointed to a re-acceleration in growth and any further evidence of this is likely to bolster both by our equity market and our currency," says CMC sales trader Niall King. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0025 GMT [Dow Jones] Australia's Atlas Iron Ltd. (AGO.AU) says its average 4Q14 iron-ore price received was US$78/ton, down from US$103/ton in 3Q14, disappointing analysts. The final result was "well below our estimate of US$83/ton," UBS analysts say in a note. Atlas says a falling iron-ore price "was compounded by increased discounts being offered in the market by some major producers." UBS keeps a neutral rating on the stock, with a A$0.62 price target. Still, AGO, which reported record FY14 shipments, trades up 1.8% at A$0.58. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0023 GMT [Dow Jones] The Aussie/Kiwi cross spikes to a six-week high of 1.0972 from 1.0858 Thursday morning after the Reserve Bank of New Zealand lifted its official cash rate by 25 bps to 3.50%, but signaled it wouldn't introduce further increases until the impact of the latest hike has been assessed. RBNZ Gov. Wheeler says that the Kiwi exchange level is unjustified and unsustainable and there's potential for a significant fall. Further upside in the AUD/NZD cross may encounter resistance at 1.1000, and then at the 1.1022-1.1034 band (June 9 high-June 4 swing high). Spot AUD/NZD was last at 1.0964. (jerry.tan@wsj.com)

0021 GMT [Dow Jones] Leading into the August reporting season UBS trims its earnings forecasts for Australian media companies, a sector where it sees little absolute value against a weak macroeconomic backdrop and in the absence of mergers and acquisitions. It lowers EPS forecasts for traditional media companies by 2%-4% in fiscal 2014 and 2015, with the downgrades harshest in print-exposed companies like Fairfax (FXJ.AU), APN News & Media (APN.AU) and Seven West Media (SWM.AU). UBS says that with no signs of a recovery in ad markets, it continues to favor companies taking market share including SWM, APN and Nine Entertainment (NEC.AU). Among online companies, it retains a sell recommendation on TradeMe (TME.NZ), Seek (SEK.AU) and Carsales (CRZ.AU), and has Realestate (REA.AU) at neutral. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0011 GMT [Dow Jones] Financial markets expected an uplift in Australia's CPI from the first quarter and the data didn't disappoint. On Wednesday, headline annual inflation was 3.0%, the top of the RBA's target band, says Go Markets strategist Tom Williams. He adds it is important to note the significance of such inflationary pressure as economists remain split over whether the RBA will raise or perhaps cut interest rates a further 25 basis points. Williams said that while the results aren't shocking, they have confirmed that the RBA is likely to retain a neutral stance for some time. (james.glynn@wsj.com)

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0005 GMT [Dow Jones] The strong run in the ASX in the last two-and-a-half years appears to have sowed caution in equities investors wary about possible downside, says AllianceBernstein. The ASX 200 as of June 30 was up almost 50% since January 2012 and close to 7% above the previous peak on Nov. 1, 2007, the asset manager notes. It suggests one option for investors is to increase portfolio exposure to low-volatility or low-beta equities, which struggle in a bull market but typically offer downside protection when markets retreat. Indeed, its research finds a portfolio of low-volatility stocks will tend to outperform high-volatility portfolios on a risk-adjusted basis over time. "One of the biggest risks in the current environment could be complacency," it says. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

(END) Dow Jones Newswires

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