

HD MARKET RECOVERS ABOUT 36% OF YESTERDAY'S LOSS

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The S&P/ASX200 is up 28.9 points to 5240.9 on light volume worth \$1.4 **billion**. There are 548 issues higher and 291 down. The SPI Futures is up 33 points to 5207 on light volume of 8643 contracts. Aussie 10 year bond yields are down 4 points to 4.19%. The \$A is at 89.38US c, down about 20 points from early levels.

*Banks have contributed 7 positive points to the index, resources have contributed 4.6 positive points, **property** trusts have contributed 0.9 positive points, retailers have contributed 1.8 positive points and Telstra has contributed 0.7 positive points.

The Nikkei Dow futures is up 310 points to 15,730 points, Shanghai CSI physical is down 2.61 points to 2024.23, Hang Seng futures is up 250 points to 23,022 points, S&P futures is up 0.7 points to 1832.90, Nasdaq futures is up 1.1 points to 3574.75, Dow futures is up 6.5 points to 16,305. **Gold** futures re down \$3.80 to \$1241.60. Crude futures are down 4c to \$92.55.

Our market has recovered about 36% of yesterday's fall intra day, with banks leading the way after yesterday's huge sell off in the sector. Better US retail numbers last night, and two senators saying the tapering must remain on track led to markets returning to "**business** as usual" at least for now. Volume was low at midday.

"High will be 5257. Low 5220. Close at 5242, up 30 points"

Daniel Goulding, the author of The Sextant Report said, "Our market looks set to open higher with our local futures contract up 30 points.

"Global equities were given some breathing room overnight with a moderate pull back in the Japanese yen.

"Over in the US the Semiconductor index hit a new rally high and with the Trannies on the verge of doing the same, there is a green light for US equities to hit new rally highs.

"Volume yesterday in our market, while higher than what we have witnessed recently, was not that significant, suggesting it is just a pullback on the way to a new, perhaps final, rally high.

"The high today will be 5257. The low will be 5220. When the dust has settled the market will have closed at 5242, up 30 points".

The S&P/ASX200 fell 80.1 points to 5212 last evening.

ECO NEWS

The ABS reported in lending finance for November,

HOUSING FINANCE FOR OWNER OCCUPATION

The total value of owner occupied housing commitments excluding alterations and additions rose 1.4% in trend terms and the seasonally adjusted series rose 1.9%.

PERSONAL FINANCE

The trend series for the value of total personal finance commitments rose 0.5%. Fixed lending commitments rose 0.6% and revolving credit commitments rose 0.3%.

The seasonally adjusted series for the value of total personal finance commitments rose 0.6%. Fixed lending commitments rose 1.2%, while revolving credit commitments fell 0.1%.

COMMERCIAL FINANCE

The trend series for the value of total commercial finance commitments rose 1.1%. Fixed lending commitments rose 1.7%, while revolving credit commitments fell 0.7%.

The seasonally adjusted series for the value of total commercial finance commitments rose 8.3% in November 2013, after a fall of 4.1% in October 2013. Revolving credit commitments rose 4.8%, after a fall of 11.5% in the previous month. Fixed lending commitments rose 9.4%, after a fall of 1.6% in the previous month.

LEASE FINANCE

The trend series for the value of total lease finance commitments fell 1.9%, while the seasonally adjusted series rose 1.9%, following a rise of 1.7% in October 2013.

*The ABS reported Engineering Construction Activity in Australia in September 2013 in trend rose 1.2% in the September 2013 quarter.

The seasonally adjusted estimate for the value of total engineering construction work done rose 4.3% in the September quarter to \$32,720.8m.

PRIVATE SECTOR

The trend estimate for the value of work done for the private sector rose 2.6% in the September quarter.

The seasonally adjusted estimate for the value of work done for the private sector rose 7.9% in the September quarter to \$25,290.5m.

PUBLIC SECTOR

The trend estimate for the value of work done for the public sector fell 2.8% in the September quarter.

The seasonally adjusted estimate for the value of work done for the public sector fell 6.0% in the September quarter to \$7,430.3m.

VALUE OF WORK COMMENCED, CURRENT PRICES

The value of work commenced in the September quarter was \$21,017.6m in original terms, an increase of 18.3% from the June quarter.

Sales of New **m**/vs in Australia, December 2013

TOTAL NEW MOTOR VEHICLE SALES

Trend estimates: The December 2013 trend estimate (95 401) has increased by 0.3% when compared with November 2013.

Seasonally adjusted estimates: The December 2013 seasonally adjusted estimate (97 014) has increased by 1.7% when compared with November 2013.

SALES BY TYPE OF VEHICLE

Trend estimates: When comparing national trend estimates for December 2013 with November 2013, sales of Sports utility and Other vehicles increased by 0.7% and 0.8% respectively. Over the same period, Passenger vehicles remained steady.

Seasonally adjusted estimates: When comparing seasonally adjusted estimates for December 2013 with November 2013, sales of Passenger, Sports utility and Other vehicles increased by 0.7%, 1.9% and 4.0% respectively.

SALES BY STATE

Trend estimates: Five of the eight states and territories experienced an increase in new motor vehicle sales when comparing December 2013 with November 2013. The Australian Capital Territory recorded the largest percentage increase (1.6%), followed by Victoria (0.6%) and Tasmania (0.6%). Over the same period, sales in the Northern Territory decreased by 0.4%.

Seasonally adjusted estimates: Five of the eight states and territories experienced an increase in new motor vehicle sales when comparing December 2013 with November 2013. Western Australia recorded the largest percentage increase (5.2%) followed by Queensland (4.2%) and the Australian Capital Territory (2.5%). Over the same period, sales in South Australia decreased by 3.4%.

TOP STOCKS

*OZL is up 46c to \$3.53 on 3.6m shares after its quarterly report, below.

*Paladin is up 3.7c to 48.7c on 9.8m shares after its quarterly report, below

*Fortescue is up 22c to \$5.37 on 9.2m shares on the report below.

*GUD is down 2c to \$5.76 on 150,000 shares.

*Fonterra is up 7c to \$5.36 on 15,000 shares.

*Macquarie is up 81.5c to \$53.25.5 on 319,983 shares also report below.

*Crown rose 52.5c to \$17.61.5 on 690,290 shares.

*REA shot up \$1.41 to \$40.967 on 94,836 shares, also report below.

*CarSales rose 21.5c to 410.11.5 on 128,502 shares.

*Caltex replaced yesterday's 30c loss, up 32c to \$19.36.

Among the financials, AMP fell 1c to \$4.41 on 2.2m shares, ANZ rose 17c to \$39.96 on 1.9m shares, CBA regained 42c to \$76.22 on 1m shares, NAB regained 18c to \$33.75 on 1.38m shares, Westpac rose 1c to \$31.52 on 1.6m shares.

Among the TMT's Telstra rose 1c to \$5.21 on 11.8m shares, Telecom NZ has gained 4c to \$2.22 on 866,883 shares, SingTel is up 3.5c to \$3.10.5 on 119,386 shares.

Among the resources BHP is down 1c to \$36.13 on 3.1m shares, RIO is up 97c to \$64.32 on 756,819 shares. Sandfire rose 16c to \$6.30 on 174,216 shares, Iluka gained 10c to \$8.34 on 570,862 shares, **Alumina** was up .2c to \$1.21.2 on 7.29m shares.

Among the oils, Woodside rose 13c to \$37.48 on 580,426 shares. Santos rose 14c to \$14.18 on 892,724 shares, **Oil** Search fell 2c to \$8.06 on 1m shares.

Among the golds, Newcrest is down 34c to \$8.46 on 2.3m shares, Regis fell 21.5c to \$2.68.5 on 2.58m shares, Kingsgate fell 1.5c to \$1.04 on 307,226 shares, Alacer was steady at \$2.35 on 201,965 shares.

AT THE SMALLER END

*Benitec is up 6c to 75c on 396,376 shares.

*Forge recovered 7.5 c to \$1.10 on 3m shares.

NEWS OF THE DAY

Ex div: EZL ex 1.8c.

Changes in substantials reported January 13 and 14 inc posted separately.

LARGE CAP INDUSTRIALS

*CNU: Chorus Ltd announced it will release its half year result prior to market opening on February 24.

*FSF: Fonterra locates and recalls batches of e-coli contaminated fresh cream The Waikato Times reported today, "Fonterra's chairman and **board** are being asked to resign by a Waikato farmer and Fonterra shareholder Russ Rimmington after the **dairy** giant's latest food safety scare.

Fonterra yesterday said a batch of fresh cream supplied to Anchor and Pams was contaminated with E coli and recalled 8700 bottles - of 300ml and 500ml - of the product.

Mr Rimmington was angry that nearly 24 hours after the recall was announced through media Mr Wilson had not contacted the co-operative's 10,500 farmer shareholders to explain the situation.

Fonterra shareholder and Waikato Federated Farmers provincial president James Houghton was also frustrated at the lack of communication provided to shareholders.

Mr Houghton said he only learned about the E coli contamination through the emailed news service provided by The Global **Dairy** news service yesterday morning.

"It is frustrating, as a farmer, that these things happen."

But Waikato farmer Bruce Rowe was impressed with Fonterra Brands managing director Peter McClure communicating that it was the first positive test for E coli in nearly 20 years.

"That was clever, but I don't think this is anything like the botulism scare."

Federated Farmers **dairy** section chairman Willy Leferink said the recall showed that Fonterra's quality assurance systems worked.

"It also shows that traceability is working because the co-op has zeroed in on the batches involved and locations they were **sold** in."

(No ASX report has been sighted).

*GUD: Ends Australia **m**fr/relocating to Malaysia+Philippines, up to 75 jobs go

GUD Holdings Ltd announced plans to relocate the production capacity of its Kings **Park** (Sydney) Dexion Industrial pallet racking factory to newer and lower cost Dexion factories in Malaysia and **China**. The **board** has determined this to be necessary to improve Dexion's competitiveness in Australia. Dexion will retain sales, design and installation and customer support teams in Australia.

The decision to cease manufacturing in Australia will involve a staged closure of the Kings **Park** factory during 2014 with redundancy of up to 75 positions. The total costs associated with the project to relocate manufacturing are \$15.9 **million** and includes the writedown of obsolete and surplus plant and equipment for \$3.2 **million**, \$4.2 **million** in new capital expenditure and \$8.5 **million** in closure costs of the Kings **Park** factory. The writedown and costs will be brought to account in first half results, to be announced on January 21 2014.

It is expected the project will be completed by December 2014 and is expected to realise an annualised cost reduction of \$67.5 **million** after that.

*MQG: Macquarie said to be a bidder for JP Morgans commodities biz

"The Age" reports Macquarie **Group** is reported to be among three shortlisted bidders for JPMorgan's physical commodities **business**, a **sale** that may fetch as much as \$US2 **billion** (\$2.2 **billion**). Blackstone **Group** and investment **company** Castleton Commodities International are also due to lob a final offer for the **business** next week, according to a report on CNBC. A Sydney-based spokeswoman for Macquarie declined to comment.

*REA: Buys 1For.com for \$A15 mln

REA **Group** Ltd announced it has acquired 1Form Online Pty Ltd, operator of rental application service 1Form.com for a total cash consideration of \$A15 **million**.

1form.com was established in Melbourne in 2006 and is the leading online tenancy application service in Australia and New Zealand. It has 2.3 **million** registered tenants and an extensive presence across a broad range of **property** advertising portals and real **estate** agency websites. (Jan 14)

*SLM: Craig Dower appointed Salmat's new CEO

Salmat Ltd announced Mr Craig Dower has been appointed Salmat's new CEO. Mr Dower will commence with Salmat on April 14 2014 and will work alongside the chairman Peter Mattick during his induction and familiarisation with the **company**. After this period Mr Mattick will step back from day to day management but remains chairman.

Mr Dower will join Salmat after seven years with global IT consultancy Avanade, a provider of **business** technology solutions and managed services functions. He was responsible as President Asia Pacific and **China** for the past four years.

LARGE CAP RESOURCES

*FMG: Issues voluntary redemption notices for \$US1.6bln of debt

Fortescue Metals **Group** Ltd announced it has continued its debt reduction program with the repayment of \$US1.6 **billion** of Senior Unsecured Notes.

FMG has issued two voluntary redemption notices for the remaining \$US1.04 **billion** Senior Unsecured Notes due in 2015 and the \$US600 **million** Senior Unsecured Notes due 2016. The notes will be redeemed on March 14.

Fortescue also itemised total repayments since November 2013 of \$US3.07 **billion**. Gross debt will fall to \$US9.6 billion with net debt of approximately \$US7.8 **billion** by the end of March 2014 from peak gross debt of \$US12.7 **billion** earlier.

*OZL: OZ Minerals Ltd for the December quarter announced total **copper** production was 18,119 tonnes and was 73,362 tonnes for the year, total gold production was 37,060 ozs for the quarter and was 128,045 ozs for the year.

C1 cash costs are 134US c/lb for the quarter and 179.6US c/lb for the year.

Cash in hand is \$363 **million** as at December 31 with undrawn debt facilities of \$US200 **million**.

At Prominent Hill full year **copper** production of 73,362 tonnes and **gold** production of 128,045 ozs was within the upper half of guidance ranges for both **copper** and **gold**.

C1 cash costs of 179.6USc/lb were below guidance range of 190/205US c per pound.

From the Malu open pit in 2013 material mined was 896.8Mt comprising 8.3Mt of **ore** and 78.5Mt of waste, material movement will reduce in 2014 in line with the mine plan. In the December quarter the combined **copper ore** and **gold ore** mined from the open pit of 2.4Mt was 35% above the previous quarter.

Malu underground is expected to commence commissioning in late 2014. Approximately 4,000 tonnes of production is expected from Malu Underground in 2014.

The Carrapateena pre-feasibility study progressed during the quarter, metallurgical test work continues to confirm the production of a high grade **copper-gold** concentrate and high **copper** and **gold** recoveries with **uranium** being considerably downgraded from feed to concentrate.

Regional exploration on the Carrapateena licences continued.

OZ Minerals also acquired a 2,554 sq km tenement package from Straits Resources in mid 2013. The tenements are on strike from Carrapateena and Khamsin and enhance OZL's ground holding in the region.

OZL expects to release its results for the year on February 12.

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2014 guidance

Cash costs in 2014 are expected to be in the range of 115US c/lb to 125 US c/lb of payable **copper**. This is down on 2013 reflecting a number of factors including increased **copper** and **gold** production together with a lower proportion of waste tonnes allocated to the income statement. The reduction also reflects the benefit of cost saving initiatives implemented in 2013 which remain ongoing.

Quarterly C1 costs are expected to reduce through the year as production is expected to be higher in the second half.

*PDN: Dec qtr prod below budgetted cost, prod up for yr/progressing **stake sale**

up Paladin **Energy** Ltd in its report for the December quarter said in highlights sales revenue was \$US101.75 **million**, selling 2,774,814 lb U3O8 at an average price of \$US36.67/lb.

There was record combined production for Langer Heinrich and Kayelekera mines in the December quarter, demonstrating stable operation near or above budget and below budget unit cost.

For the full year 2013 Langer Heinrich production rose 7% to 5,444Mlb and Kayelekera production was up 3% to 2.943 Mlb.

Cost saving and optimisation initiatives continue to make significant improvements.

Positive progress continues on the **sale** of a minority interest in Langer Heinrich.

MID TO SMALL INDUSTRIALS

*TOX/TTN/RIO: TOX awarded 2 yr contracts by Rio, Titan **Energy**

Titan **Energy** Services Ltd announced it has awarded a two year total waste management contracts in the Surat and Pilbara regions of Queensland and Western Australia to Toxfree Ltd commencing in January 2014. Estimated revenue will be approximately \$17 **million** over the term of the contract with capital expenditure of \$2 **million** over the same period.

TOX also announced a 2 year total waste management and industrial services contract at Rio's Dampier Salt Hedland and Dampier **operations** commencing in January 2014.

Toxfree managing director Steve Gostlow said in the report the **company's** focus is to build long term relationships with the **mining, oil** and gas industry in the region.

MID TO SMALL RESOURCES

*DML: Restructuring of Boseto **copper** will mean 85 redundancies

Discovery Metals Ltd announced it is undertaking a restructuring program at its 100% owned Boseto Operation to improve cost competitiveness and further enhance production efficiencies.

The restructuring follows extensive detailed discussions with key stakeholders, including employees, the relevant Botswana Government Departments and the Botswana Mine Workers Union.

The retrenchment at Boseto will affect 85 of the 516 employees based at the **site**. It does not expect the restructuring will have a material effect on production at the **company's** Boseto Operation. Ongoing improvements in efficiencies and cost competitiveness will help to enable the Boseto Operation to maintain long term sustainability in the world **copper** market. (Jan 14)

*STX/GLY/ORa: Gas supply agreement from PEL 96 agreed with Orora

Strike **Energy** Ltd advised it has entered into a Gas Supply Option Agreement for 30 PJ of gas with Orora Ltd, the recently demerged Australasian and Packaging Distribution division of Amcor Ltd. The gas is to be produced by Strike from its Southern Cooper Basin Gas Project, centered on the substantial gas resource identified within permit PEL 96.

Strike has granted an option to Orora for the supply of 30PJ of gas to be delivered at 3PJ per annum at a fixed price over a 10 year term from 2017, the expected commencement of production from the project.

Orora has agreed to pay an option fee to Strike, conditional only on the PEL96 j/v proceeding with a pilot production test project.

Orora can then exercise the option when a decision is made by the PEL 96 j/v to proceed with development of the Project.

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