

**HD MARKET CLOSES HIGHER IN LATE RELIEF RALLY**

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The S&P/ASX200 closed up 8.4 points to 5324.4 on light volume worth \$2.5 **billion**. There were 503 issues higher and 442 down. The SPI Futures closed up 6 points to 5293 on light volume of 13,668 contracts. Aussie 10 year bond yields were up 1 point to 4.32%. The \$A is at 88.81US c, down almost 50 points from last evening.

The banks contributed 1.3 negative points to the index, insurers contributed 1.9 positive points, resources contributed 1.3 negative points, **property** trusts contributed a 0.5 negative points, retailers contributed 2.2 positive points and Telstra contributed 0.9 negative points.

At 4pm AEST the Nikkei Dow futures was down 250 points to 15,860 points, Shanghai CSI physical was up 7.26 points to 2051.60, Hang Seng futures was up 7 pointst o 22,954 points, S&P futures were up 0.4 points to 1833, Nasdaq futures were up 0.4 points to 3565 and the Dow futures were steady at 16,407 points. **Gold** futures were up 60c to \$1226.10. Crude futures gained 24c to \$92.57.

\$A called lower by analysts in a Bloomberg poll

\*Bloomberg in a roundup of top forecasters has numbers varying from 80US c up to 83US c for the \$A - the most accurate forecaster at predicting the \$A over the past four quarters, Tim Fox, Dubai based chief economist at Emirates expects the \$A to fall to 80US c by December 31. Second ranked forecaster HSBC is projecting a slide to 86US c, one cent below the median of 39 year end forecasters polled by Bloomberg.

\***China**'s CPI continues to fall but so does the PPI

**China**'s CPI has come in at 2.5% for December vs a year earlier, and vs 3% in November from a year earlier, compared with 3.2% in October.

Meanwhile, **China**'s PPI for December fell PPI fell 1.4% year on year in December the **China** National Bureau of Statistics reported, marking a decline for 22 consecutive months, unchanged from November while annualised PPI for 2013 fell 1.9% year on year - a dampener for the markets.

Our market closed in the positive after being down around 4 points since **China**'s CPI and PPI numbers - down about 10 points before that - rising in the last 70 minutes by 26 points.

While a "**buy**" portfolio would be the obvious culprit some stocks in the Top 20 were barely changed including FMG (down 3c at the close from down 3.5c) and BHP closed down 7c at the close vs being off 16c earlier, and QBE closed up 29c after being up 13c at midday, Woodside rose from up 5c at midday to up 12c. CBA, up 1c at midday closed up 10c.

A relief rally is a likely explanation - with our market falling for four out of the first five trading days this year - today the only riser.

There was very little corporate news to drive our market either way.

"Down 10 today - break of next support level at 5300 would be quite bearish"

Ben Faulkner, a senior adviser at Morgans said, "Our market closed right on support yesterday, with the next support level at 5300. A break of 5300 would be quite bearish in the short term. Resources are continuing to under perform.

"I'll call it down 10 points today - we have already factored in some of the sell off on the Dow last night".

The S&P/ASX200 closed down 1 point to 5316 last evening.

## ECO NEWS

### Retail sales rise in November

The ABS reported the trend estimate for retail sales rose 0.5% in November 2013. This follows a rise of 0.5% in October 2013 and a rise of 0.5% in September 2013.

The seasonally adjusted estimate rose 0.7% in November 2013. This follows a rise of 0.5% in October 2013 and a rise of 0.9% in September 2013.

In trend terms, Australian turnover rose 4.1% in November 2013 compared with November 2012.

The following industries rose in trend terms in November 2013: Cafes, restaurants and takeaway food services (1.1%), Other retailing (0.9%), Food retailing (0.3%), Clothing, footwear and personal accessory retailing (1.2%), Department stores (0.5%) and Household goods retailing (0.1%).

The following states and territories rose in trend terms in November 2013: New South Wales (0.6%), Victoria (0.7%), Queensland (0.4%), Western Australia (0.4%), South Australia (0.3%), Tasmania (0.8%), the Australian Capital Territory (0.5%) and the Northern Territory (0.6%).

### Seasonally adjusted estimate for total dwellings approved fall in November

The ABS reported the trend estimate for total dwellings approved rose 2.4% in November and has risen for 13 months.

The seasonally adjusted estimate for total dwellings approved fell 1.5% in November and has fallen for two months.

The trend estimate for private sector houses approved rose 1.1% in November and has risen for 11 months.

The seasonally adjusted estimate for private sector houses rose 6.0% in November following a fall of 0.2% in the previous month.

The trend estimate for private sector dwellings excluding houses rose 4.4% in November and has risen for eight months.

The seasonally adjusted estimate for private sector dwellings excluding houses fell 9.7% in November and has fallen for two months.

The trend estimate of the value of total building approved rose 2.3% in November and has risen for 22 months. The value of **residential** building rose 2.6% and has risen for nine months. The value of non-**residential** building rose 1.9% and has risen for three months.

The seasonally adjusted estimate of the value of total building approved fell 3.2% in November after rising for four months. The value of **residential** building fell 1.9% after rising for five months. The value of non-**residential** building fell 5.3% following a rise of 20.1% in the previous month.

## TOP STOCKS

\***Alumina** rose 3c to \$1.14 on 8.5m shares ahead of Alcoa's quarterly report in the US tonight.

\*Kathmandu closed up 15c to \$3.17 on 450,000 shares, Fletcher Building was up 20c to \$8.02 on 750,000 shares while TradeMe rose 3c to \$3.81 on 340,000 shares.

\*Orora rose 10c to \$1.27 on 37.9m shares.

\*Sirtex was up \$1.11 to \$14.35 on 418,404 shares on yesterday's report.

\*Ainsworth Gaming rose 33c to \$4.46 on 403,874 shares.

Among the financials, AMP closed up 1c to \$4.43 on 3m shares, ANZ fell 12c to \$31.59 on 3.9m shares, CBA rose 10c to \$77.98 on 1.8m shares, NAB rose 5c to \$34.45 on 2m shares, Westpac fell 10c to \$31.94 on 3.6m shares.

Among the TMT's Telstra closed down 2c to \$5.26 on 20.1m shares, Telecom NZ fell 1c to \$2.14 on 336,492 shares, SingTel rose 1c to \$3.15 on 236,726 shares.

Among the resources BHP closed down 7c to \$6.97 on 3.75m shares, RIO fell 5c to \$65.30 on 1.4m shares. Fortescue closed down 3c to \$5.36 on 11.9m shares, Atlas fell 2.5c to \$1.03.5 on 16.4m shares, OZL rose 3c to 43.15 on 864,809 shares. Paladin rose 1c to 45c on 6.3m shares.

Among the oils, Woodside rose 12c to \$38 on 1.44m shares. Santos closed up 21c to \$14.50 on 1.9m shares, **Oil** Search rose 3c to \$8.15 on 2.38m shares.

Among the golds, Newcrest rose 4c to \$8.45 on 2.4m shares, Perseus rose 1.5c to 29c on 5.6m shares, Alacer was down 4c to \$2.30 on 147,821 shares, Kingsgate gained 2.5c to \$1 on 915,741 shares. Tribune rose 6c to \$3.10 on 660,554 shares, good volume for the stock.

#### AT THE SMALLER END

\*Red Mountain closed up .8c to 2.5c on 257.5 **million** shares on the report below.

\*TZL rose 2c to 15.5c on 3.7m shares on the report below.

\*Forge recovered 14.5c to \$1.25 on 12.7m shares.

\*Bega rose 10c to \$4.60 on 416,479 shares.

#### NEWS OF THE DAY

\*Number of job listings in New Zealand increased 17% in the final quarter of 2013

TradeMe **Group** head of Trade Me Jobs, Peter Osborne said the number of job listings increased 17% in the final quarter of 2013 over the same period last year, with many employers predicting a healthy job market for 2014.

He said several regions recorded year on year job ad growth in excess of 20% during the last quarter of 2013 with Bay of Plenty up 28%, Waikato up 26%, Nelson/Tasman up 28% and Canterbury up 23% the notable standouts.

Auckland represents almost 40% of the national market and saw 17% growth on the previous year, Christchurch job listings rose 24% on the same period last year while Wellington job growth in the December quarter was 7.4% vs a 3.1% rise in September.

\*"New Zealand the rock star economy of 2014" - HSBC

On January 8 (US time) HSBC in an analyst report said New Zealand's economy could be one of fastest growing markets of 2014, with growth predictions set to outperform similar developed markets, according to HSBC, and creating an even larger gap between it and Australia, which is lacking a push towards economic growth.

"We think New Zealand will be the rock star economy of 2014. Growth is going to pick up pretty solidly this year," Paul Bloxham, chief economist for Australia and New Zealand at HSBC, told CNBC.

HSBC predicts 3.4 % economic growth in 2014, well above 2.5 % trend growth and the fastest clip since 2007. The bank expects the economy to grow 3 % for 2013.

Bloxham noted there are three signs that point to a stronger economy.

\* The Reserve Bank of India has raised the cap on the proportion of loan to the value of **gold**. Finance companies can lend as much as 75% of the value of the **gold** deposited with them, up from 60% earlier, the central bank said in a statement on Wednesday.

#### LARGE CAP INDUSTRIALS

\*FSF: Confirms Danone has initiated legal proceedings

Fonterra today confirmed that Danone has formally initiated legal proceedings following the whey protein concentrate precautionary recall initiated by Fonterra in August last year.

Fonterra has been in ongoing **commercial** discussions with Danone and it is disappointed they have resorted to legal action. Fonterra will now work through the detail of Danone's claims. It continues to be confident in its position and will vigorously defend any proceedings.

Market Cap \$576m. FSF down 7 cents to \$5.40

\*QAN: Notes downgrade by Moody's

Qantas Airways Ltd notes today's announcement by Moody's Investor Services that its senior unsecured rating has been downgraded to Ba2, outlook negative after being placed on review on December 5 2013.

This followed Moody's placing Qantas on review on December 5.

CFO Gareth Evans said the downgrade was not unexpected. He said in the report, "Qantas is a strong business with a track record for disciplined financial management. We will make the necessary decisions now, however tough they might be, to ensure we remain strong and disciplined in the years ahead".

Market Cap \$2.46b.

QAN up 2 cents to \$1.12

#### LARGE CAP RESOURCES

\*SAR: Dec qtr prod up/hedged @ \$A1,694% for 100% 8 mth prod/costs falling

Saracen Mineral Holdings Ltd in an update on the production results for the December quarter ahead of the full quarterly report said **gold** production was 21,096 ozs in the December quarter exceeding guidance of 28,000/30,000 ozs.

Yera to date 72,337 ozs have been produced, 11% ahead of the upper end of increased guidance of 120,000/130,000 for the full year. This included 16,346 ozs mined from the Red October underground mine in the December quarter, exceeding the previous record and 18,351 ozs from the Whirling Dervish open pit in the December quarter vs 3,174 ozs in the September quarter.

Cash and bullion decreased by \$4.8 **million** to \$22.8 **million** over the quarter due to the planned additional discretionary expenditure of \$5 **million** for exploration activity and bringing forward the tailings storage facility works as outlined in the September quarterly.

The mark to market value of the **company's** hedge book of 177,364 ozs as at December 31 was \$A41.2 **million** based on a spot price of \$A1,352.34 per oz.

Managing director Raleigh Finlayson said in the report, "Saracen has taken a risk averse view on the near term **gold** price and added additional ounces to its price protection program during December 2013.

The additional 38,500 ozs placed on a spot deferred basis at \$1,384.5 per oz and dovetail into the existing forward program of 141,400 ozs at an average price of \$A1,694 per oz.

Saracen has the flexibility to deliver up to 100% of production into hedging for the next 8 months over which period the all-in sustaining cash costs are forecast to fall from \$A1,500/oz to \$A950/oz in full year 2015.

Our note: Raleigh Finlayson, a **mining** engineer, joined Saracen in 2008, has over 18 years experience.

Market Cap \$113m

SAR up 0.5 to 19 cents

#### MID TO SMALL INDUSTRIALS

\*AOM: Due diligence investigation for Reproductive Health extended to Jan 31

AO **Energy** Ltd advised since it was unable to complete its due diligence for Reproductive Health Science Pty Ltd by December 31, the date for the investigation has been extended until January 31.

Documentation for the required shareholder meeting to approve the **transaction** is well underway and will be sent to shareholders soon after completion of due diligence.

Market Cap \$3.8m

AOM steady at 2.7 cents

\*AWK/AWI: Change in code

Australasian Wealth Investments Ltd announced a change in its code from AWK to AWI, effective January 10.

Market Cap \$53m

AWK steady at 44 cents

\*BNE: European patent for key platform for rheumatoid arthritis treatment

Bone Medical Ltd announced it has been notified of the allowance of its Lexicon patent by the European Patent Office. The Lexicon platform technology is used to provide a molecular framework for novel peptides generated from the **company's** Mozaic discovery technology. Together the two platforms form the proprietary foundation for the **company's** novel rheumatoid arthritis compound BN006.

In an animal model of rheumatoid arthritis BN006 has shown it can achieve the same anti inflammatory efficacy of the leading marketed rheumatoid arthritis treatment, but with significantly less suppression of TNF reducing the immunosuppressive side effects, one of the key limitations of currently marketed treatments, CEO Peter Young said in the report.

Market Cap \$1m.

BNE down 0.1 to 0.1 cent

\*HFA: 1st half profit to be sharply higher/possible **transaction**, but incomplete

HFA Holdings Ltd announced it expects to report improved earnings results for the first half of the 2014 financial year as a result of positive performance of the funds managed by its subsidiary businesses for the six months to December 31 2013, which have delivered higher performance fee revenue, as well as a reduction in operating expenses.

Net profit after tax for the half year is expected to be \$US6.4 **million** vs \$US2.6 **million** for the previous corresponding period.

EBITDA is expected to be \$US12.5 **Million** vs \$US8.7 **million** for the pcq.

The **board** also noted articles published on Reuters this morning commenting on the speculation of a possible **transaction** and business performance.

The **board** routinely undertakes reviews of various matters to explore ways to enhance shareholder value. Such a review process remains incomplete and in no way indicates a material **transaction** is imminent or certain.

Market Cap \$113m.

HFA up 17.5 to 95 cents

\*NWT: \$15160.47 **million** new contract for Jabiru-1

NewSat Ltd announced it has secured an additional \$US26 **million** of revenue on Jabiru-1 with a publicly listed South West Asian telecom **company**. The contract is for the supply of \$US160.47 **million** of Jabiru-1 satellite transmission capacity over Pakistan, Afghanistan and the Middle East over a 15 year term.

NWT Founder and CEO said in the report the \$US160 **million** contract replaces a mutually terminated contract.

Market Cap \$257m

NWT steady at 43.5 cents

\*PRO: New agreement with Solutionary

Prophecy International Holdings Ltd announced a new agreement with Solutionary, an NTT **Group** Security **Company** that is a leading pure play managed security service provider (MSSP). Solutionary delivers managed security services to mid sized organisations, government entities and global enterprises to reduce risk, increase data security and support compliance initiatives.

the agreement provides for Solutionary to offer the Snare Enterprise Agents as an integrated part of their Managed Service with their ActiveGuard platform. the agreement is a major milestone for Intersect Alliance International, and the first of a number of planned agreements.

Market Cap \$33m.

PRO untraded last at 60 cents

\*SOI: Raises \$318,000 via placement, CNs

SoilSub Technologies Ltd announced it has raised \$318,000 via the placement of 71.25 million shares at 0.32c per share with 77.5 million free attaching options exercisable at a half cent by November 30 2015 and \$90,000 via the issue of 9 convertible notes.

Market Cap \$4.7m.

SOI steady at 0.5 cents

\*TZL: \$A800,000 order received by Telezygology, expects strong year ahead

TZ Ltd announced its wholly owned US subsidiary Telezygology Inc has received a purchase order of around \$A800,000 for a large scale TZ Centurion System deployment scheduled for delivery in the first half of this calendar year. The sale is the largest single purchase order received by the Infrastructure Protection (IXP) business.

Executive chairman Mark Bouris said in the report said the group's 2014 outlook envisages continued strong growth for all IXP regions particularly in the financial services sector as the Payment Card Industries Data Security Standard Version 3 (PCI-DSS V3) which came into effect on January 1 2014 has raised the bar considerably for the physical security aspects required for the protection of cardholder information.

Market Cap \$34.6m

TZL up 2 to 15.5 cents

#### MID TO SMALL RESOURCES

\*CVN: Apache to spud Phoenix South-1 in WA-435-P in 2nd quarter

Carnarvon Petroleum Ltd announced it has been advised by Apache, the operator of the WA-435-P permit that the spud date for the Phoenix South-1 well is likely to be in the second quarter of calendar year 2014, due to its operational timetable.

Carnarvon MD and CEO Adrian Cook said while the postponement may be disappointing, moving the spud date to the second quarter may be disappointing, moving the date to later in the first half significantly reduces the risk of cyclone activity.

Market Cap \$56m.

CVN down 0.5 to 5.7 cents

\*RMX: New trenching results inc. from surface include 55.9gpt Au, 31.2gpt Au

Red Mountain Mining Ltd announced further significant gold results from vertical sampling through the shallow dipping layer of colluvial boulders and rubble at its Lobo Prospect, Batangas gold project in the Philippines.

The peak new trench sampling intersection in additional sampling of Trench 7 is 1.8m at 55.9gpt Au vertically from surface including 0.9m at 110 gpt Au.

Also additional results from Trench 13, 100m southwest of Trench 7 from vertical sampling of a colluvium boulder intersected 1.2m at 17.2gpt Au from 1.2m vertical depth including 0.6m at 31.2gpt Au.

Full trenching results to date were released.

Managing director Jon Dugdale said in the report the additional high grade gold results indicate that the exceptionally high grades in bedrock are also dispersed into the overlying colluvium rubble from right at surface.

Exploration Targets have been defined for the Japanese Tunnel and Pica prospects and a continuous program of soil sampling, mapping and surface trenching continues to define targets at the Lobo prospect.

Our note: Jon Dugdale graduated as a geologist with first class honours from the University of Melbourne in 1986 and has 27 years **mining** and investment experience in Australia and the Asian region with Western **Mining** Corporation (WMC), **Mining** Project Investors (MPI), Leviathan Resources and Lion Selection **Group**. With MPI from 1993 to 2004, Jon was involved with the exploration and development of several discoveries including Silver Swan nickel deposit in Western Australia and Golden Gift **gold** deposit in Stawell, Victoria, Australia for which he jointly received the Joe Harmes medal for contributions to economic geology. With Lion, Jon obtained financial and investment skills as well as exposure to the valuation and development of **mining** projects in the Asian region.

Market Cap \$12m.

RMX up 0.8 to 2.5 cents

\*RNI: Up to 32.3gpt Au in drilling at Grosvenor **gold** project

Resource and Investment NL announced assay results from a 1,122m RC drilling program at the Ricks Prospect, part of the Daylight/Starlight **gold** resource at the **company**'s Grosvenor **gold** project, 170 km northwest of Meekatharra in Western Australia has returned up to 32.3gpt Au in **gold** assays, in line with expectations.

RNI has also completed a 518.6m metallurgical diamond drilling program at the Callies and Yarlalweelor open pits, with RC pre-collars and diamond tails, to support ongoing metallurgical testwork. Also a geotech diamond drilling hole was completed at Starlight.

All significant results were reported. Apart from DLRC007 which assayed 10m at 3.87gpt Au from 37m including 1m t 32.3gpt Au from 37m, other best rEsults included 1m at 11.6gpt AU from 38m in DLRC018 and 0.6m at 7.52gpt Au from 244.7m in CLDD001.

Market Cap \$22m.

RNI steady at 7.5 cents

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