

HD MARKET CLOSES BARELY HIGHER ON LIGHT VOLUME

BY Jenny Prabhu

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The S&P/ASX200 closed up 5.7 points to 5469.7 on light volume worth \$3.3 **billion**. There were 519 issues higher and 604 down. The SPI Futures closed up 16 points to 5477 on light volume of 17,324 contracts. Aussie 10 year bond yields are steady at 3.77%. The \$A is at 93.65US c, up about 10 points on Saturday levels.

*The banks have contributed 7.4 positive points to the index, insurers contributed 0.7 positive points, resources contributed 2.7 positive points, **property** trusts contributed 0.2 negative points, retailers contributed 2.7 negative points and Telstra contributed 1.4 positive points.

*At 4pm AEST the NikkeiDow futures fell 150 points to 14,980 points, Shanghai CSI physical was up 17.66 points to 2048.16, Hang Seng futures rose 182 points to 23,190 points, S&P futures fell 3.3 points to 1946.90, Nasdaq futures was down 5.25 points to 3788.5, Dow futures fell 19 points to 16,917 points.

Spot **gold** rose \$2 to \$1255. Crude futures was up 41c to \$104.82.

***China** CPI for May is up 2.5% year on year vs up 2.4% expected.

***China** PPI for May is down 1.4% y/y vs down 1.5% expected)

The PPI has been in deflationary territory for 27 consecutive months but the fall in prices slowed from last month.

Our market traded quietly, closing up 5.7 points to 5469.7 on light volume worth \$3.3 **billion**.

Markets were mixed in the Asian region, with **China's** markets higher ahead of the PBOC's 0.5% cut in reserve requirement ratios from June 16, that applies to 2/3rd of city **commercial** banks, 80% of non county level rural **commercial** lenders and 90% of non county level rural cooperative banks, according to a statement on the central bank's website yesterday, Bloomberg reported, in a bid to support growth. **China's** authorities also introduced tax breaks and accelerated some government spending this year.

"Ceiling will be 5510. Floor will be 5473... close at 5490, up 26 points

Daniel Goulding the author of "The Sextant Market Report" said, "The weight of technical evidence points to the likelihood that our market is in the later stages of an intermediate term topping process.

"From an internal viewpoint, the rally that kicked off from the middle of 2012 peaked in early to middle 2013. Since that point fewer and fewer stocks have been responsible for dragging our market higher. This increasing selectivity is a notable feature of market tops.

"The question is the nature of the resolution: rotation between the different segments of the market or outright migration from the market. On that front I think markets are still grappling with the inflation-deflation dynamic.

"The internal backdrop for **mining** stocks is quite poor, which increases the likelihood that the head and shoulders pattern for the Aussie Materials index will be triggered, targeting a ten percent decline from current levels.

"Ordinarily that would bring about a decline in bond yields too, but we may find this time around bond yields move higher, against all expectations. It has happened before. As a result portfolio managers need to be very careful.

"But none of this matters for today.

"The ceiling will be 5510. The floor will be 5473. When the dust has settled, the market will have closed at 5490, up 26 points'.

The S&P/ASX200 closed up 27.1 points to 5464 last Friday.

ECO NEWS

Home loans flat in April

Home loan approval numbers were flat in April, vs up 0.2% expected, the ABS reported.

The value of total housing finance rose 1.7% in April, seasonally adjusted, to \$27.89 **billion**, the ABS said. There were 52,109 approvals in the month, compared to 52,104 approvals in March.

Business confidence flat in May from April

The NAB business confidence survey reported business confidence remained flat in May, despite the Coalition government's first federal budget, which has been widely credited with a sharp drop in consumer confidence.

"That result was surprising, with **firm**'s still discounting persistently soft levels of business conditions and the negative sentiment surrounding the Federal budget - including the post-budget collapse in consumer confidence," NAB chief economist Alan Oster said.

Importantly for business, forward orders gained back much of the fall record in April, jumping 5 points to zero, although this still suggest only moderate activity in the near-term.

*ANZ/Roy Morgan job ads data for May down 5.6%

The ANZ/Roy Morgan job ads for May were down 5.6% from a 2.2% rise in April and 1.4% in March, ANZ's monthly survey of job advertising in newspapers and online found. ANZ has attributed the decline in confidence and job advertising to the tough federal budget.

"The key question now is whether the fall in job ads is largely temporary," said ANZ Senior economist, Justin Fabo. "If it isn't, this will be a risk to our forecast that labour demand will improve slowly this year amid modestly better economic conditions, with the unemployment rate expected to remain close to 6% for some time."

"The survey measures where the trend is going we know that in recent times there has been a pretty clear softening in a few indicators and we are seeing this today with these figures ", said Deutsche Bank economist, Phil O'Donoghue.

Newspaper job ads were down across the country, with only New South Wales, the Northern Territory and South Australia delivering between 0.7 and 1.4 percentage points increases.

TOP STOCKS

*The Reject Shop fell \$1.10 to \$8.05 on 1.1m shares after lowering its full year guidance.

*Pacific Brands fell 5c to 51c on 10.75m shares after lowering its guidance.

*Crown Casino went down 25c to \$15.51 on 2m shares as the Macau government plans to further restrict the use of **China** UnionPay Co's debit cards at casinos, curbing money flows and making it harder for bettors to **buy** expensive items that they exchange for cash. Galaxy Entertainment **Group** and Sands **China** Ltd each fell at least 2%.

Among the financials, AMP closed up 5c to \$5.39 on 4.96m shares, ANZ rose 9c to \$33.76 on 3.2m shares, CBA gained 65c to \$82.42 on 2.3m shares, NAB was up 11c to \$33.64 on 2.7m shares, Westpac rose 8c to \$34.63 on 3.1m shares.

Among the TMT's Telstra rose 3c to 45.26 on 14.78m shares,

Among the resources BHP closed up 4c to \$36.28 on 4.6m shares, RIO rose 24c to \$59.64 on 933,694 shares. Fortescue gained 11c to \$4.63 on 21.98m shares. Sandfire fell 15c to \$5.82 on 231,564 shares, Western Areas fell 15c to \$4.44 on 2.24m shares.

Among the oils, Woodside closed up 48c to \$42.22 on 2.3m shares, Santos fell 7c to \$14.51 on 2.12m shares. **Oil** Search was steady at \$9.78 on 5.99m shares, Karoon rose 16c to \$3.45 on 1.9m shares. Origin was down 8c to \$14.45 on 2.19m shares.

Among the golds, Newcrest closed down 14c to \$9.63 on 2.48m shares, Oceana rose 9c to \$2.71 on 1m shares, Northern Star rose 3c to \$1.16 on 3.38m shares, also report below. Resolute was up 1.5c to 61.5c on 2.1m shares, Saracen gained 1.5c to 15c on 4.8m shares.

AT THE SMALLER END

*Kresta closed up 3.5c to 20c on 945,839 shares after receiving a takeover offer from a **China** based **group**.

*Nexus fell .6c to 1.1c on 15.5m shares on expectations the meeting today will reject the Seven **Group** takeover offer, forcing it into administration. Seven **Group** rose 18c to \$7.96 on 525,479 shares.

*Japara rose 7c to \$2.70 on 497,823 shares, also a positive broker report today.

NEWS OF THE DAY

Australian banks risk in exposure to **China** manageable - Fitch

Reuters reports Fitch ratings agency has released a statement that says most banks outside Asia have a small direct exposure to **China** despite the recent growth, and so a slowdown in **China** would have only a limited direct risk for them, says Fitch Ratings. However, they may be vulnerable to any secondary effects from slower **Chinese** growth. Banks' exposure to **China** has been rising. International banks' direct exposures - loans and securities claims - on **China** almost doubled over the three years, to USD698bn at end-2013 in 24 countries reporting to the Bank of International Settlements (BIS) on an ultimate risk basis. Other claims, such as guarantees and derivatives, are not captured in this data. **China** risk concentration is low for the largest countries outside of Asia. UK banks have the largest direct exposure, according to the most recent BIS data, at USD200bn, but this is only 1.6% of banking system assets. Nevertheless, this is concentrated in two banks, HSBC and Standard Chartered, which have onshore activities. US banks had USD83bn of direct claims on **China**, a very small 0.6% for the sector. US investment banks may also have other potential claims, including derivative contracts. But these would still be small relative to assets. Citigroup has a **Chinese** subsidiary, so is the most exposed of the US banks. Other countries with larger exposures to **China** also have manageable risk - with Japan at 0.6% of assets, France 0.4%, Germany 0.4% and Australia 1.2%. Australia's exposure has grown the most rapidly, as trade has increased between the two countries and Australian banks have pushed their expansion in Asia. Lending is related largely to short-term trade finance. Overall exposure is relatively modest compared with the five largest banks' FCC at 26%. ... Fitch added, "We believe there is a low probability of a "hard landing" for **China**'s economy, and that a **China**-related expansion strategy offers growth opportunities in the long term"

The original article can be accessed at www.fitchratings.com.

Ukraine and Moscow reach mutual understanding on parts of plan to end fighting

Reuters reports Ukraine said on Monday it had reached a "mutual understanding" with Moscow on parts of a plan proposed by President Petro Poroshenko for ending violence in the east of the country.

Kiev gave no details and Russia did not comment directly but two days of talks, following a brief encounter in France last week that broke the ice between Poroshenko and Russian President Vladimir Putin, have given momentum to peace moves.

German Foreign Minister Frank-Walter Steinmeier said in a statement released in Berlin that there was 'some faint light at the end of the tunnel' in the Ukraine conflict for the first time in months.

Only a fraction of LNG projects being built will be completed - Shell

Reuters reports only a fraction of the natural gas export projects being developed around the globe will become reality as high costs and weakening gas prices torpedo those that until recently promised huge returns on investment.

Large natural gas field discoveries on and offshore have prompted several countries to plan liquefied natural gas (LNG) export projects, including in North America, Australia, East Africa and the east Mediterranean.

But high development costs and low profit margins in the gas sector mean most of the projects will fail, Royal Dutch Shell's director of projects and technology told Reuters in an interview.

"There is always so much talk about these big LNG projects around the world, but only a small fraction of them will get built," said Matthias Bichsel, who is also a member of Shell's Executive Committee.

"Costs in the **oil** and gas sector are still on the rise and outpacing inflation, and gas projects are extremely price-sensitive because the margins are so thin," he added.

3-D printed reading glasses - of enormous benefit to the poor, worldwide ..

First sighted on "FiercePharma" - grateful thanks to a Broker who forwarded, and a detailed report in "The Economist" on June 7 reports on LUXeXcel, a **company** based in the Netherlands, that has pioneered the technology and used it to print some reading glasses.

"These are not yet as good as prescription spectacles, the lenses of which are individually polished. But it is early days .. LUXeXcel calls the 3D-printing process it has developed Printoptical. It is based on a large-format **commercial** inkjet printer fitted with specially adapted print heads. These heads deposit droplets of fluid plastic to build the shape of the lens. But instead of forming layers, the droplets are allowed to flow into one another to create a pool of liquid. The emerging pool is measured by lasers and once it has taken on the required shape it is solidified by curing the plastic with ultraviolet light. Repeating the process allows complex lenses to be constructed. The pooling process leaves smooth surfaces that require no polishing.

LARGE CAP INDUSTRIALS

*ABP: Sells 10 industrial assets for \$106.75 mln, about 9.4% above book

Abacus **Property Group** and Abacus Diversified Income Fund II an unlisted retail fund managed by Abacus **Property Group** have exchanged contracts for the **sale** of a portfolio of 10 industrial assets for \$106.75 **million**. Settlement is to occur this month. The portfolio consists of 4 assets from Abacus **property Group**'s balance sheet and six from ADIF II's balance sheet. Abacus **Property Group**'s assets will deliver aggregate sales proceeds of approximately \$43.65 **million**, around 9.4% above the aggregate December 31 2013 book value.

Market Cap \$1.28b.

ABP up 1 cent to \$2.50

*IOF: Secures another pre commitment tenant for 567 Collins St, Melb

Investa Office Fund announced it has secured another tenant for 567 Collins Street Melbourne in pre-commitment.

Market Cap \$2.07b.

IOF up 2 cents to \$3.37

*NPX: EBITDA guidance lowered due to weaker market in May, f/cast for June

Nuplex Industries Ltd announced a revision to its 2014 Financial Year earnings guidance, primarily due to ANZ's weaker than expected performance in May and forecast for June.

Nuplex now expects EBITDA for the 12 months ending June 30 to be between \$NZ121 mln and \$NZ125 mln. The updated guidance range continues to include net costs of \$2.4 **million** associated with implementing the ANZ re-organisation announced in February 2014. NPX had previously expected EBITDA to be at the lower end of its earnings guidance range of \$130/145 **million**.

Market Cap \$610m.

NPX untraded last at \$3.08

*PBG: Lowers full year EBIT guidance

Pacific Brands Ltd announced it now expects full year 2014 EBIT before significant items in the range of \$90/93 **million** on sales growth of around 3% vs the prior year (vs EBIT of \$122.1 **million** last year, a turnaround from a loss the year before).

The **company** said at the time of its interim results announced the **company** had expected **group** EBIT before significant items implied at \$105 **million**.

"However a combination of challenging markets, declines in consumer sentiment and a warm autumn which have been highlighted by other apparel and footwear retailers, have led to lower than expected sales growth and increased margin pressure".

Market Cap \$468m.

PBG down 5 to 51 cents

*SKI: CitiPower, Powercor execute new bank debt facilities

Spark Infrastructure advised both CitiPower and Powercor in which it holds 49% interests have executed new bank debt facilities:

CitiPower has executed a \$200 **million** four year revolving facility with ANZ and CBA, maturing in May 2018. This new facility replaces an existing maturing bank facility.

Powercor has executed a \$250 **million** 5 year syndicated bank debt facility with Mizuho Bank as **Lead** Arranger, maturing in May 2019. This new facility replaces an existing maturing facility.

Powercor has also executed a \$300 **million** 18 month bank facility with ANZ and CBA maturing in November 2015 to refinance \$50 **million** of short term debt facilities, refinance the \$109 **million** US Private Placement notes maturing in November 2014 and provide funding for working capital purposes. (Jun 6)

Market Cap \$2.6b.

SKI up 0.5 to \$1.805

LARGE CAP RESOURCES

*KAR: Negotiates key terms with NAB for \$US100m bridge facility

Karoon Gas Australia Ltd announced it has negotiated key **commercial** terms for a \$US100 **million** bridge facility with National Australia Bank Ltd. This facility will be used to fund operational cashflow requirements prior to the receipt of \$US600 **million** proceeds from the **sale** of Karoon's Browse Basin permits, WA-315-P and WA-3980P to Origin **Energy**. (Jun 6)

Market Cap \$883m

KAR up 16 cents to \$3.45

*NST: 3rd party waives pre-emptive/NST on track for Jundee **acquisition**

Northern Star Resources Ltd advised the third party holdings rights of first refusal to **buy** the Jundee **gold** project in WA has waived that right. In return for waiving the right NST will issue the third party shares valued at \$10 **million** based on the 10 day VWAP prior to completion.

The shares will be issued on completion of the asset **sale** agreement with Newmont as announced on May 13 and will be escrowed for six months.

The Jundee **acquisition** will see Northern Star become the second biggest ASX listed **gold** miner with annual production of 550,000 ozs and targeted all in sustaining costs of less than \$1,050/oz.

Market Cap \$671m.

NST up 3 cents to \$1.16

*WHC: **Group** opposed to Maules Creek **coal** project in new proceedings

Group opposed to Maules Creek **Coal** Project files Whitehaven **Coal** Ltd announced it has been served a Summons relating to the Maules Creek **Coal** Project. The Summons has been filed in the NSW Land and Environment Court by the NSW Environmental Defenders Office on behalf of the Maules Creek Community Council, a **group** opposed to the project.

The NSW EDO has acted in two proceedings against Maules Creeks' Federal Approval in the Federal Court, both of which were dismissed with orders that client pay the costs of WHC and the Federal Minister for the Environment. WHC has not received payment of these costs.

Construction and clearance activities for the project are both on schedule for first **coal** to be railed in March 2015.

Whitehaven will vigorously defend the proceedings.

Market Cap \$1.47m.

WHC steady at \$1.435

MID TO SMALL INDUSTRIALS

*CAQ: Update on casino **acquisition**

Cell Aquaculture Ltd (now focused on the casino sector) announced they have executed the formal Share **Sale** agreements with the Vendors Noble Rate Ltd, Tang Dashun and Beijing Properties (Holdings) Ltd to acquire 100% of all the rights and title to the Halkou Free Trade Zone project and the Roxy Casino in Bavet, Cambodia.

Market Cap \$41m.

CAQ down 0.5 to 11 cents

*DCC: Update on digital **mining operations**/relisting expected shortly

Digital CC Ltd trading at digital BTC advised its digitalBTC **mining operations** have earned in excess of 2,600 bitcoins in May with total bitcoins earned from **mining** now exceeding 5,100. The Bitcoin price allied strongly during May from \$US430 to \$US640 per bitcoin currently on major international exchanges.

DCC routinely converts its Bitcoins into US and Australian dollars.

The second instalment of state of the art BitFury **Group mining** hardware commenced **operations** in mid May resulting in a 4x increase in **mining** capacity. Trading esk **operations** generated a return of 3 4% from funds invested up to May 31. Digital BTC continues development of the Bitcoin retail consumer product line as Apple Inc opens up App Store to approved virtual currencies.

The **company** expects to be relisted on the ASX in coming days.

DCC suspended

*IMF: About \$1.75m profit from settlement of Air Cargo court case

Bentham IMF Ltd advised it is estimated IMF will generate profit after capitalised overheads but before tax of about \$1.75 **million** following the settlement of the Air Cargo court case, following Court approval of the settlement. (Jun 6)

Market Cap \$323m.

IMF up 2.5 cents to \$1.955

*KRS: Ningbo Xianfeng offers 23c cash per share, if **China**/other govts permit

Kresta Holdings Ltd advised the **company** has today received notice that Ningbo Xianfeng New Materials Co Ltd via its wholly owned subsidiary Suntarget (**Hong Kong**) Trading Co Ltd intends to make an on market takeover bid to acquire all of the issued shares in Kresta at 23c cash per share.

Aplus needs to go through a process of ratifying the proposed offer with its own shareholders and other regulatory bodies in **China** before proceeding to actually make the offer.

Market Cap \$30m.

KRS up 3.5 to 20 cents

*NEA: Seamless access to Google Earth application

Nearmap Ltd announced a new service that provides nearmap subscribers with fast and seamless access to its PhotoMaps imagery within the Google Earth application. The latest nearmap imagery is delivered to

Google Earth via a cloud based KML service, with no need for client side storage and is displayed as an accurately geo referenced layer that can be overlaid with other user supplied spatial data, eg polygons defining sales regions or asst details linked to asset locations.

Market Cap \$186m.

NEA up 1 to 55 cents

*SRH: VicRoads approves revolutionary Ironman Hybrid steel safety barrier

Saferoads Holdings Ltd announced following its market announcement on May 26, its revolutionary Ironman Hybrid steel safety barrier system has now been granted formal acceptance for immediate use on Victorian roads by VicRoads. Formal approval for NSW roads was granted on May 3. Application for complementary approval in all remaining State and Territory jurisdictions is proceeding.

Market Cap \$3.64m.

SRH steady at 14 cents

*TRS: Lowers full year profit forecast

The Chairman of the Reject Shop today announced the **company** was unlikely to meet its Market Profit Guidance for the year ended June 30 of between \$17/18 **million** and instead expects to report full year Net Profit after Tax of between \$14.5/15.5 **million**.

the **company** said notwithstanding the tough retail conditions existing since Christmas 2014 and flat sales for the half year up to the end of April 2014, the **company** had been cautiously optimistic previous guidance would be achieved. However, the unseasonably warm weather across the country led to a deterioration in sales of winter related departments and ranges during May.

Also while the first week of May remained solid in sales terms, it is clear that sales for the balance of May were significantly affected by a drop off in consumer confidence consistent with the generally reported retail conditions during this period.

The revised profit forecast of between \$14.5/15.5 **million** includes the impact of costs associated with the opening of a further 13 stores in the second half and asset writedowns in respect of three stores which are being closed, and a further 3 which are underperforming. The **company** also confirms the new satellite distribution centre in Perth will open in late July, on time and on budget.

Market Cap \$232m.

TRS down \$1.10 to \$8.05

MID TO SMALL RESOURCES

*AQO/DLS/Other: Magnum Hunter Resources intends to make t/o for AQO

Magnum Hunter Resources Corporation, a US corporation whose common stock is traded on the NYSE announced its intention to make a conditional off market takeover offer for Ambassador **Oil** & Gas, offering 1 share of Magnum Hunter for every 27.8 Ambassador shares. The offer implies a value of 35Ac for Ambassador shares based on the closing **sale** price of Magnum Hunter common stock on the NYSE of \$US8.84 on June 9 2014, the last trading day prior to this announcement.

The Magnum Hunter offer represents a premium of 74% to the closing price of Ambassador shares of 19.5c on May 23 and a 20% premium to the current implied value of the Drillsearch **Energy** Ltd offer announced on May 28.

Market Cap \$45.5m. / \$649m.

AQO up 4.5 to 32 cents / DLS down 3 cents to \$1.50

*DAU/ORD: Ord seeks ASIC consent to withdraw t/o offer

Ord River Resources Ltd announced with regard to its takeover bid for the shares in Dampier **Gold** Ltd as advised on April 29, ORD seeks ASIC consent to withdraw its takeover bid after Dampier on June 6 announced its intention to acquire a mineral tenement package, triggering a defeating condition.

Market Cap \$1.73m. / \$3.73m.

DAU steady at 2.6 cents / ORD down 0.1 to 0.3 cents

*KNL: Progress in acquiring high grade Merelani graphite mine, Tanzania

Kibaran Resources Ltd advised in an update on its Tanzanian graphite projects, the **company** has received written confirmation from Richland Resources Ltd and its wholly owned subsidiary Tanzanite One accepting the terms offered by Kibaran for the sole graphite rights to the historic Merelani graphite mine.

The **company** is now finalising a binding agreement for approval by Tanzanite One's j/v partner the State **Mining Company**.

The Merelani graphite mine represents the largest historical production of graphite in East Africa, with only a small part of the deposit mined prior to closure.

The last shipment of remaining stockpiled concentrate was in 1998 and included a percentage of 99% carbon that was produced through natural attrition and not chemical treatment.

At the Mahenge graphite project the **company** has made significant progress at its wholly owned Epanko deposit on both a technical and permitting front.

Market Cap \$13.4m.

KNL up 1.5 to 14.5 cents

*RMS/Other: Acquiring high grade Kathleen Valley **gold** for \$3.645m cash +

Ramelius Resources Ltd announced it is to acquire the high grade Kathleen Valley **Gold** Project in WA from Xstrata Nickel Australasia **Operations** Pty Ltd, a subsidiary of Glencore Plc and with Giralda Resources Pty Ltd. The Kathleen Valley project is located close to the **company's** new Vivien **Gold** Project. It creates synergies for Ramelius integrated high grade WA **gold** development.

The XNAO Kathleen Valley tenements are located 50 km north of Leinster in Western Australia and contain a 2012 JORC compliant mineral resource of 130,000 ozs of **gold** in three deposits.

On completion of the **Sale** and **Purchase** Agreement plus a nickel offtake and clawback agreement with Xstrata, Ramelius will pay Xstrata \$3.645 **million** cash for 100% of its Kathleen Valley tenements. In addition Ramelius has agreed to pay \$A405,000 cash for 100% of the adjacent Kathleen Valley j/v and Mt Harris j/v.

Market Cap \$35m

RMS down 0.2 to 9.5 cents

*TLG: Update on Nunasvaara graphite/graphene deposit

Talga Resources Ltd advised in an update on its activities relating to its flagship and wholly owned high grade Nunasvaara graphite/graphene deposit in northern Sweden, work has commenced with several highly regarded metallurgical consultants in Perth to further evolve the dual graphite-graphene metallurgical pathway for Nunasvaara. The new work is focussed on expanding the scale of the previously demonstrated processing route which is unique to the Nunasvaara deposit's particular characteristics of grade, structure and mineralogy.

Market Cap \$28m

TLG down 2 to 27 cents

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