

**HD S&P/ASX 200 Likely Flat in Cautious Trading -- Market Talk**
**WC** 1,787 words

**PD** 30 July 2014

**ET** 09:54

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English

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2353 GMT [Dow Jones]--Australia's S&P/ASX 200 is likely to be flat in cautious trading before the FOMC meeting and U.S. GDP data Wednesday. Overnight, the S&P 500 lost 0.5% and U.S. 10-year bond yields fell 3 basis points as risk aversion dominated amid increased economic sanctions against Russia over its failure to suppress pro-Russian rebels in Ukraine, as well as increased hostilities in Gaza. Downward pressure on U.S. bond yields may favor Australian high-yield equities, although the FOMC meeting and U.S. GDP data have potential to affect all asset classes. Spot **gold** rose 1.1% to US\$95.30 and BHP (BHP.AU) ADR's suggest the market heavyweight will rise about 0.3% to A\$39.16. QBE shares may bounce after brokers including UBS and Bank of America Merrill Lynch kept their Buy ratings despite the latest profit warning from the insurer. Index last 5588.4. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

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2351 GMT [Dow Jones]--Construction of the NorthConnex road in northwestern Sydney should add around A\$42 **million** to Transurban's (TCL.AU) Ebitda when it goes live in FY20, growing to A\$58 **million** in FY25 and around 6% each year thereafter, says UBS, which keeps a "buy" recommendation on the toll road operator's stock. Transurban recently lodged an Environmental Impact Statement for the project, providing the broker with a clearer view of its traffic growth forecasts. "We continue to view the stock's 10% per annum average five-year distribution growth and near term catalysts as attractive," UBS says. It has a A\$8.40 price target on Transurban vs. its latest trade of A\$7.79. (Ross.Kelly@wsj.com)

2344 GMT [Dow Jones]--Nymex crude is likely to trade with risks skewed to the downside near term, after hitting a two-week low of \$100.37/bbl on Tuesday, as long as it stays below Tuesday's high of \$101.83, Dow Jones technical analysis shows. The daily continuation chart is still negative-biased as the MACD and slow stochastic indicators are bearish, while the five- and 15-day moving averages are declining. A drop below \$100.37 support would expose the downside to the 200-day moving average (now at \$99.89), then to \$99.01 (July 15 reaction low), \$98.91 (May 5 low), \$98.74 (May 1 swing low), and \$98.25 (March 21 reaction low). But a rise above \$101.83 (Tuesday's high) would tilt the near-term view positive, targeting \$102.10 (Monday's high), then \$102.53 (Friday's high), \$103.34 (July 23 high), \$103.45 (July 22 high), \$104.99 (July 21 reaction high) and \$105.53 (July 2 high). September crude is up 18 cents at \$101.15/bbl on Globex. (jerry.tan@wsj.com)

2342 GMT [Dow Jones] Woolworths Ltd.'s (WOW.AU) FY14 net profit should scrape the bottom end of its 5%-7% guidance, says J.P. Morgan analyst Shaun Cousins, who forecasts a 5.2% lift in adjusted profit before one-off charges. Cousins expects a lift in margins from its Australian food and liquor unit, although tips weak earnings from its Big W and home improvement businesses. He retains an overweight rating on the stock, with a A\$38.09 price target. WOW last traded at A\$36.22. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2341 GMT [Dow Jones]--The Nikkei may fall as investors await more U.S. economic indicators later this week, including Friday's jobs data, to gauge the strength of the economy after U.S. shares fell Tuesday, says Mitsushige Akino, chief fund manager at Ichiyoshi Investment Management. He says the index is vulnerable to profit-taking after three sessions of gains on solid Japanese earnings results. "Good results have largely been factored in, even if there may be some great individual results," he says, adding the index is likely to trade in a 15500-15700 range. The Nikkei ended up 0.6% at 15618.07. Nikkei 225 September futures ended Chicago trading at 15600 Tuesday, compared with an earlier close in Osaka at 15640. (kosaku.narioka@wsj.com)

[Dow Jones] Management of nickel producer Mincor Resources (MCR.AU) has a solid track record of replacing reserves over the past decade. Investors will be hoping that continues, given Mincor's mines have only a short life of two to three years. "The short life does mean that Mincor will exhibit extreme volatility via its strong leverage to both the nickel price and exploration success," says UBS analyst Jo Battershill. The broker has a neutral call on Mincor, with a A\$0.90 price target. On Tuesday, Mincor said it expects to produce 8,500 tons nickel-in-**ore** in FY15. Mincor added that "severe cost pressure" is likely due to lower grades and higher power costs, and its cost guidance of A\$5.30/lb may be hard to achieve. MCR last traded at A\$0.805. (david.winning@wsj.com; @dwinningWSJ)

2329 GMT [Dow Jones]--Expect more of the same from Australia's banks this earnings season. Ahead of results out next month, Citi reviews its earnings forecasts against a broadly favorable environment with lower expected impairment expenses but ongoing margin decay from pressures in mortgage lending and institutional **operations**. It nudges up its fiscal 2014 EPS forecast for Commonwealth Bank (CBA.AU), which is due to turn in annual results Aug. 13, by 1.4% and its FY15 estimate by 1.9%. For Bendigo & Adelaide (BEN.AU), which reports full-year numbers Aug. 11, it raises its EPS forecast for FY14 by 1.6% and for FY15 by 4%. Citi is neutral on BEN and has a buy recommendation on CBA. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

11:26 GMT [Dow Jones] It's been a persistent question since Edward Snowden's disclosures of NSA spying emerged just over a year ago: To what extent have the revelations damaged U.S. business interests, as well as the foreign policy goals of the United States? A report, by the nonpartisan New America Foundation, surveys the fallout. The report notes a widely cited 2013 paper by a business-friendly think tank, the Information Technology & Innovation Foundation, which found that the revelations could cost the U.S. cloud computing industry between \$22 **billion** and \$180 **billion** by 2016. A more recent survey of 300 British and Canadian multinational companies found that a quarter of respondents were moving their business outside the U.S., and the overwhelming majority were willing to sacrifice the performance of technology in exchange for safeguarding their data. A March 2014 survey of 1,000 IT executives in France, **Hong Kong**, Germany, the U.K. and the U.S. found that the Snowden disclosures "had a direct impact on how companies around the world think about information and communication technologies and cloud computing in particular." The report also says the Snowden docs have undermined the credibility of the U.S. abroad, and have helped usher in a spate of laws that could hurt U.S. companies in at least a dozen foreign countries.

2326 GMT [Dow Jones] Bank of America Merrill Lynch reiterates its Buy rating on QBE (QBE.AU) based on valuation. "Notwithstanding the earnings disappointment flagged today, we are mindful that QBE is well down the path of re-basing earnings expectations, while headwinds from both interest rates and foreign exchange rates are already reflected in our forecasts," the broker says. "At 1.1 times FY15 price to book value, we believe valuation is attractive at current levels." Target price falls to A\$13 from A\$14. Last at A\$10.57. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2322 GMT [Dow Jones] Australian interest rates may need to be raised to contain house price pressures in Australia, says Paul Bloxham, chief economist at HSBC, Australia. Mr. Bloxham expects house prices to rise 10% in calendar 2014, and while Australia doesn't currently have a housing bubble, the risk that a bubble forms is rising, particularly in the Sydney market, where price growth is double that of other capital. The RBA will need to be wary of not falling into the trap of leaving interest rates too low, for too long and driving excessive risk taking in the housing market. Mr. Bloxham expects a rate increase in the first half of 2015. (james.glynn@wsj.com)

2321 GMT [Dow Jones]--Australian construction activity is recovering, and that's a welcome dose of good news for BlueScope Steel (BSL.AU) which has been pressured in recent years by high **iron-ore** prices and a strong Australian dollar. UBS initiates coverage of BlueScope with a buy call and A\$7 price target, anticipating the **company's** Australian steelmaking **operations** will deliver earnings before interest and tax of around A\$150 **million** by FY16 from breakeven in FY14. "We see upside to our domestic earnings forecasts from better mix, i.e. export conversion, and a lower Australian dollar," UBS says. The broker is currently forecasting the AUD at US\$0.93 in FY15-16. "This is further underpinned by recovery in North America off post-GFC lows, and momentum in the Asian building products segment post the Nippon JV that was established in FY13." BSL last traded at A\$6.06. (david.winning@wsj.com; @dwinningWSJ)

2321 GMT [Dow Jones]--**Oil** Search (OSH.AU) is likely to hit the top end of its annual output guidance of 17 **million** to 20 **million** barrels of **oil** equivalent, as the Exxon Mobil-led (XOM) PNG LNG project in Papua New Guinea reaches its full production capacity much earlier than anticipated, says UBS. It is forecasting **Oil** Search's FY output to reach 18.9 **million** BOE thanks to its 29% **stake** in the project, and is factoring in a 75% chance of an expansion of PNG LNG to three processing units from the two currently in operation. The broker has a buy recommendation on **Oil** Search and an A\$11/share price target vs. its latest trade of A\$9.50/share. (Ross.Kelly@wsj.com)

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(END) Dow Jones Newswires

July 29, 2014 19:54 ET (23:54 GMT)

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**AN** Document DJDN000020140729ea7t004f5