

**HD S&P/ASX 200 Year-End Target Remains 5700 -UBS -- MARKET TALK**

**WC** 1,529 words

**PD** 7 May 2014

**ET** 09:25

**SN** Dow Jones Institutional News

**SC** DJDN

**LA** English

**CY** Copyright © 2014, Dow Jones & Company, Inc.

**LP**

23:24 [Dow Jones] Australia's S&P/ASX 200 still gets a 5700 year-end target from UBS strategists David Cassidy and Dean Dusanic. Consensus FY15 EPS growth of 6.5% is "unusually realistic" and the implied FY15 PE multiple of 14.3 times looks "fair" they say in a report. The strategists attribute the recent pullback in the index from a six-year high to concern about a tight federal budget, China growth/iron ore jitters and profit taking in banks. Index last 5481.4. (david.rogers@wsj.com; Twitter: @DRWSJ)

**TD**

2323 GMT [Dow Jones] On a day when New Zealand central-bank Gov. Graeme Wheeler attempted to jawbone the Kiwi lower, one of New Zealand's largest companies--Fletcher Building (FBU.NZ)--says the strong NZD relative to the strong AUD is "impacting favourably on capex and depreciation." On the flip side, however, the "strength of the New Zealand dollar to the Australian dollar and the U.S. dollar has continued to impact earnings" as its 1H earnings were up 18% when currency impacts are excluded. Including the FX impact, operating earnings before interest and tax were NZ\$281 million versus NZ\$262 million a year earlier. The New Zealand dollar has gained nearly 4% against a basket of currencies so far this year. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2321 GMT [Dow Jones] New Zealand jobs grew strongly in the March 2014 quarter, but, with more people declaring themselves available for work, unemployment held steady and wage growth was even softer than expected, says Westpac Bank Chief Economist Dominick Stephens. "Overall, the data suggest less underlying resource pressures than the RBNZ would have expected, and correspondingly less urgency to raise the official cash rate," said Mr. Stephens. The NZD/USD is at 0.8701 versus 0.8727 prior to the data. (rebecca.howard@wsj.com)

2315 GMT [Dow Jones] UBS strategists have adjusted their model Australian share portfolio for expected AUD/USD weakness, higher bond yields and weaker Chinese growth. Exposure to Resmed (RMD.AU) and QBE (QBE.AU) has been increased, while NAB (NAB.AU) has been trimmed to neutral from overweight in the portfolio, and overweight positions in miners have been trimmed marginally. Echo (EGP.AU) and Super Retail Group (SUL.AU) have been added to the portfolio, while Stockland (SGP.AU) and Sandfire Resources (SFR.AU) have been removed. (david.rogers@wsj.com; Twitter: @DRWSJ)

2312 GMT [Dow Jones] Construction company Fletcher Building (FBU.NZ) underscores that the outlook in Australia - which accounts for about 50% of its operations - remains uncertain as a mix of stand-alone versus multiunit housing is affecting demand and the outlook for commercial construction remains subdued. In comments to investors it also notes declining investment in mining and resources sectors and reduced government expenditure on infrastructure projects is "likely to adversely impact activity levels." Its comments are backed by news this week that the number of Australian home-building permits fell 3.5% in March, the fifth monthly fall in the past half year. This week Australia's central bank held rates at a record low 2.5% for the eighth meeting in a row as the resource-rich economy remains stuck in a low gear. The record low rates may eventually jump start the construction sector - giving Fletcher Building a solid lift - but for now consumer and business spending remain subdued. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

Deutsche Bank is recommending clients reduce their exposure to Brazil's bonds to underweight, saying valuations are too high relative to the country's policy and fundamental outlook. In the report, the bank notes president Dilma Rousseff, who may face a runoff in October's presidential elections, will likely run a campaign with strong populist appeal which will probably not help improve the market's perception about

a possible second term. Deutsche Bank says while recent polls show support for Ms. Rousseff have declined, due to weak growth, an **energy** crisis and difficulties in hosting the World Cup, it will likely not fall enough to materially reduce her chances of re-election. The bank also says the market is being too optimistic about a potential policy improvement in a second Dilma term. (Luciana.magalhaes@wsj.com)

18:33 EDT - Lord & Taylor and parent **company** Hudson's Bay (HBC.T) are addressing the growing consumer preference for mobile shopping through an array of in-house and third party smartphones applications that offer different features. But the lack of a single app that meets users' needs for browsing, shopping and rewards redemption presents a challenge to the retailer, says Ryan Craver, senior VP of corporate strategy at Lord & Taylor. Even so, Craver said the **company** needs "a big presence in mobile because everyone" is researching merchandise or shopping with their smartphones. Roughly 50% of consumers said they prefer to use their smartphones to browse for or **purchase** products, says new research from Deloitte. (clint.boulton@wsj.com)

2230 GMT [Dow Jones] New Zealand's central bank has "upped the rhetoric on the high NZD" but intervention would "have its challenges," says ASB Chief Economist Nick Tuffley. The central bank is in the midst of a tightening cycle, with a widespread expectation of another 150-200bp of increases yet to come and "any attempts at intervention will be fighting the underlying interest rate story," he says. Tuffley says he expects that sustained NZD strength will slow the tightening cycle this year. He still expects a June increase given strong migration, the fact that recent interest rate increases have had a muted impact on 2-3 year mortgages and the resilience of other commodity prices aside from **dairy**. "But, beyond June, continued NZD strength would reinforce our view that the RBNZ would pause after June until the end of the year." (rebecca.howard@wsj.com; Twitter: @FarroHoward)

18:22 EDT - The New Zealand dollar slips as RBNZ Governor Graeme Wheeler attempts to jawbone the currency lower in a speech to **dairy** farmers. Wheeler says the Kiwi is overvalued and if the "currency remains high in the face of worsening fundamentals, such as a continued weakening in export prices, it would become more opportune for the Reserve Bank to intervene in the currency market to sell NZ dollars." He also underscored that the high dollar--along with new economic data--will be a factor in the central bank's assessment of the extent and speed with which the official cash rate needs to be raised. NZD/USD at 0.8717, from 0.8742 before the speech. (rebecca.howard@wsj.com; @FarroHoward)

18:13 EDT - JPMorgan has upgraded Santos (STO.AU) to Overweight from Neutral, while raising its price target by 5.2% to A\$14.41. "Following a marked 7-month period of underperformance relative to peers Woodside (WPL.AU), **Oil** Search and Origin (ORG.AU), we now believe the risk/reward equation again favors an Overweight position in Santos," the broker says. "With PNG LNG due to commence LNG sales around mid-year, and the rationale behind purchasing 3rd party gas for the GLNG project becoming clearer, we think there is a strong case for the 17%-21% free cash flow yield we forecast for the latter part of this decade to compress." STO last A\$13.94. (david.rogers@wsj.com; @DRWSJ)

17:56 EDT - Electronic Arts (EA) is pretty pleased with "Titanfall." The sci-fi shooting game, made by the original creators of "Call of Duty," was released in March to high anticipation. But EA stayed silent about sales, other than when market researcher NPD said it was the top selling game in March. Now, we know by how much: It **sold** 925k copies between console and PC, according to NPD. Good results, EA says. (ian.sherr@wsj.com; @iansherr)

17:54 EDT - Audacious is a good word for the 5-year **business** plant Fiat Chrysler CEO Sergio Marchionne has rolled out, especially considering Chrysler was bankrupt five years ago. Marchionne made bold forecasts five years ago and has hit many of his targets, but he had tailwinds with the US coming out of recession. The landscape is tougher now. The US market will grow by about 1M units to 17M cars and trucks, so much of Fiat Chrysler's growth in the US will have to come by taking share from other auto makers. Fiat's plan forecasts US market share of 15.8% by 2018--a 4.4 point increase from 11.4% in 2013. It's a tall task, considering domestic rivals GM and Ford (F) are more competitive. (neal.boudette@wsj.com)

To contact the Market Talk Editors,  
Bradley Davis, 212 416-2654, bradley.davis@dowjones.com  
Kevin Kingsbury, 212 416-2354, kevin.kingsbury@dowjones.com  
John Shipman, 212 416-2181, john.shipman@dowjones.com  
Patrick Sullivan, 212 416-2326, Patrick.sullivan@dowjones.com

(END) Dow Jones Newswires

May 06, 2014 19:25 ET (23:25 GMT)

**IN** i221 : Iron/Steel/Ferroalloys | i22 : Primary Metals | ibasicm : Basic Materials/Resources

**NS** c151 : Earnings | ccat : Corporate/Industrial News | namt : All Market Talk | ncmac : Commodities Asset Class News | ndjmt : Dow Jones Market Talk | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | c15 : Performance | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

**RE** austr : Australia | nz : New Zealand | china : China | usa : United States | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia | namz : North America

**PUB** Dow Jones & Company, Inc.

**AN** Document DJDN000020140506ea56004p0