

HD MARKET EXPECTED TO CLOSE HIGHER TODAY

BY Jenny Prabhu

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The S&P/ASX200 is likely to close higher today.

Markets rose in Europe, were down a touch in the UK and rose in the US.

On the NYSE where 3226 issues traded there were 2,450 issues higher, 698 down and 78 unchanged. On Nasdaq where 2,098 issues traded there were 2,098 issues higher, 579 down and 58 unchanged.

Metals were mixed in a narrow range, crude was mixed, **gold** rose. The \$A is at 93.38 US c, up 55 points from last evening.

"Resistance is at 5450, then at 5470 .. up 25 points for the day"

Ben Faulkner, a senior adviser at Morgans said, "There was a positive reaction on equities last night on the ECB move.

"The S&P500 again broke previous highs intra day, closing not far off its high for the night Volume last night was the highest so far this week, but not at the highest levels we have seen.

"**Copper** is still sitting on support, there was not much price action last night.

"**Gold** had a bit of a bounce. It is likely to have a bit of a dead cat bounce in coming days but I still think it will remain under pressure for the rest of this year.

"The Euro briefly spiked down to 1.35US c which was one of the DCB plans, to devalue their currency, but it defied the odds to sharply push back to 1.38/30US c at one stage.

"Shanghai saw a good move yesterday, closing above the 20 day moving average and above 2040 so that it looks like it was a false break on Thursday. We still need to see it close above 2060 for any signs of a bullish breakout.

"US 10 year bond yields took a bit of a breather last night, but probably are going to consolidate between 2.55% and 2.65%.

"The XJO had another weak day. We have seen a lot of selling pressure against the rising US market. Yesterday's close was again bearish. It did not close on its lows, but closed well below 5450.

"Given moves on markets overnight, it may close back above 5450 for the week, but still remain below the 20 day moving average.

"Our market is still in a short term correction. But I would not be surprised to see DAX and Euro stocks fall in coming weeks.

"Resistance for our market is at 5450, next at 5470. Support will now be 5430.

The short term outlook is still bearish in my view. For the day I will call us up 25 points'.

The S&P/ASX200 closed down 7.9 points to 5436.9 last evening.

June 6. Good morning.

* BBC News reports leaders of the G7 industrial nations have urged Russia to begin talks with the new leadership in Kiev to end the crisis in eastern Ukraine. US President Barack Obama and UK PM David Cameron said Moscow must recognise Petro Poroshenko, who takes office as president on Saturday.

The G7 leaders meeting in Brussels said they were fully behind Mr Poroshenko.

Later in Paris Mr Cameron met Russian President Vladimir Putin, giving him a "very clear and **firm** set of messages'.

"The status quo, the situation today, is not acceptable and it needs to change," Mr Cameron said. "We need the Russians to properly recognise and work with this new president. We need de-escalation, we need to stop arms and people crossing the border. We need action on these fronts."

Mr Putin is meeting French President Francois Hollande for dinner. Mr Hollande will see Mr Obama at a separate meal.

Aussie stocks

All dollars in this section are Aussie dollars - the rises and falls are against the previous close.

Aussie stocks in ADR form were higher across the board. AWC fell 1c on 100,000 shares, Amcor rose 7c on 30,000 shares, Rio rose 6p on 2.43m shares, BHP gained 4c on 2.1m shares, News rose 22c on 568,000 shares, Westpac rose 9c on 65,000 shares. Telstra rose 1c on 150,000 shares. Resmed was up 4c on 5.3m shares.

PSivida fell 10c on 26,500 shares. Prana rose 1.5c on 5.6m shares.

In London Anglo American fell 7.07p to 1,453.93 p on 4.8m shares, Aquarius rose 0.75p to 25.5p on 3m shares, BskyB fell 4.04p to 871.96p on 1.5m shares, BHP fell 7p to 1,876p on 6.6m shares, Henderson rose 1.11p to 244.91p on 1.7m shares, RIO rose 15p to 3,144p on 3.2m shares.

Trading points:

*BAB/NGF: T/o panel to take no action after BAB, NGF undertakings

The Takeovers Panel (TOV) said in response to an application dated May 13 from Norton **Gold** Fields Ltd in relation to the affairs of Bullabulling **Gold** Ltd, the TOV

said it was minded to make an unacceptable circumstances ruling, however it has accepted the undertakings given by Bullabulling.

(BAB said 41.8% of shareholders would not accept the takeover offer - without informing the rejecting shareholders how the statements were to be used, nor obtaining their consent, also the statements were no more than their intentions at a certain point of time).

Also Norton **gold** when saying 6.6% of BAB shareholders supported its bid, comprising shares held by **Gold** Mountains (HK) International **Mining company** and Phoenix **Gold** Fund Ltd, it did not say that Phoenix had sold some of its shares on market, and that it was associated with **Gold** Mountains and had voting power of 2.5% in its **stake**. (Jun 5)

*VRL: 15c ff sp div/full yr 2014 now to be slightly below previous final

Village Roadshow Ltd announced directors have approved a 15c per share fully franked special dividend, payable on July 17 with a record date of June 26 2014. The 15c per share special dividend represents a total payment to VRL shareholders of approximately \$24 **million**.

Profit guidance

The **company** revised profit guidance issued with the interim report in February that VRL expected it would slightly exceed 2013 NPAT before material items.

However as the result of the generally disappointing box office performance of "Transcendence" and the write off of the \$2 **million** minimum guarantee write off, the forecast 2014 NPAT is now likely to be in line with or slightly below 2013 NPAT. (Jun 5)

Ex div: KOV ex \$1.

Overseas

The DJIA closed up 98.58 points to 16,836.11.

S&P 500 rose 12.58 points to 1,940.46.

NASDAQ rose 44.59 points to 4,296.23.

US 10yr bond yields fell 1 point to 2.59%.

The US\$ fell 30 points to 102.44 Yen.

The Euro rose 58 points to 1.3656US c.

The Yuan fell 51 points to 6.2550/\$US1.

FTSE 100 fell 5.14 points to 6,813.49. European markets closed higher.

The NikkeiDow last evening rose 11.41 points to 15,079.37.

Shanghai SE Comp IX closed up 16.05 points to 2,040.88.

Commodities

All dollars in this section are US dollars

In dollars per tonne for three month metal, (LME stockpiles are on a closing basis) - valued against yesterday morning's price, measured over 24 hours.

Copper fell 45 to \$6,780/fell \$52 to \$A7261. Stockpiles fell 550 tonnes to 167,925 tonnes.

Aluminium rose \$15 to \$1,850/gained \$3 to \$A1981. Stockpiles fell 5,125 tonnes to 5,170,375 tonnes.

Nickel rose \$25 to \$19,050/fell \$105 to \$A20,401. Stockpiles rose 564 tonnes to 284,316 tonnes.

Zinc gained \$9 to \$2,088/fell \$5 to \$A2236. Stockpiles fell 3,050 tonnes to 700,375 tonnes.

Lead rose \$5 to \$2,108/fell \$9 to \$A2257. Stockpiles fell 50 tonnes to 190,375 tonnes.

Tin rose \$20 to \$23,245/fell \$139 to \$A24,893. Stockpiles fell 50 tonnes to 10,865 tonnes.

Iron Ore fell 10c to \$94.50/fell 76c to \$A101.20.

Steel was indicated at \$400/410.

Cobalt was indicated at \$30,200/30,750. Stockpiles and cancelled warrants both fell 10 tonnes to 529 tonnes and 140 tonnes respectively.

Molybdenum was indicated at \$32,000/33,000.

WTI crude fell 16c to \$102.48/fell 88c to \$A109.75.

Brent Crude rose 39c to \$108.79/fell 33c to \$A116.50.

Spot **gold** rose \$9 to \$1,253/gained \$1.02 to \$A1342. Spot silver rose 23c to \$19.03/rose 12c to \$A20.38. Spot platinum gained \$8 to \$1,444/fell \$1 to \$A1546. Spot palladium rose \$3 to \$839/fell \$3 to \$A898.

Pierpont's delightful and erudite summing up headed "don't write off **gold**" and subheaded, "Western bankers are using bits of paper to damage the value of **gold** held by **China** and other Asian nations. Not clever" - in more detail below "in other news".

Overseas eco news

In US eco news, the jobless number for the week ended May 31 rose by 8,000 to a seasonally adjusted 312,000 the Labor Department reported. The four week average fell to 310,250, the lowest level since June 2007.

*ECB president Mario Draghi announced deposit rates for banks cut to negative 0.1% to encourage them to lend to business.

The ECB also cut its benchmark interest rate to 0.15% from 0.25%.

The ECB is the first major central bank to introduce negative interest rates.

*UK interest rates have been held at the record low of 0.5% for another month by the Bank of England. The size of the Bank's bond-buying economic stimulus programme was also kept unchanged at £375bn. The decision was widely expected, despite continued signs of strength in the UK economy.

Overseas **equity** news

*In the US of the Dow 30 there were 27 stocks higher and 3 down.

Caterpillar led the way higher, gaining \$2.65 or 2.54% to \$106.96 after a smaller competitor posted a profit well above expectations, CNN Money reported, in spite of the global **mining** slowdown. Microsoft followed, up 88c or 2.18% to \$41.20 with JPMorgan after that.

United Health fell the most, shedding 71c or 0.88% to \$79.80 followed by Nike and Home Depot.

CNN Money reported the Dow and S&P500 both spiked to intra day record highs on the ECB's unleashing negative interest rates, and a well followed hedge fund founder of Appaloosa Manager, Mr Tepper said he is no longer nervous about stock prices, reversing his earlier stand.

General Motors closed down 0.7% last night. Twitter rose 3% intra day after the Financial Times reported Twitter recently considered acquiring online music services Soundcloud, Spotify or Pandora in a bid to find new sources of growth. T-Mobile fell over 2% on reports it is again considering a merger with Sprint, which fell 4%, with the deal seen likely to be blocked by anti trust legislation.

Ciena rose over 18% after unveiling a bullish outlook for the second half of 2014.

RiteAid fell 7% lower on its gloomy outlook. **Mining** equipment maker Joy Global rose over 6.5% after its profit beat expectations.

*In Europe national benchmark indexes rose in 12 of the 17 western European markets last night. Italy's Mediobanca rose 4% to Euro 7.65, Spain's Banco de Sabadell rose 3.6% to Euro 2.52 and Commerzbank rose 3.2% to Euro 11.81.

InvestmentAB Kinnevik fell 6% to Swedish Kr 253.40. Yoox SPA, a fashion retailer, fell 6.1% to Euro 21.75.

Deutsche Bank fell 13.8% to Euro 28.58 after announcing it will offer Euro 6.75 **billion** worth of new shares to investors at Euro 22.50 each, vs euro 6.3 **billion** mooted earlier.

Volvo fell 2.9% to SKr93.70 after a broker downgrade.

*In the UK the biggest faller on the FTSE 100 was the housebuilder Persimmon, the Halifax recorded the strongest monthly uplift in house prices since 2002. That raised fears that the Bank of England will take steps to cool the current property boom.

Shares in Persimmon fell 5.26%.

Medical devices **company** Smith & Nephew closed 2.6% higher, as the takeover speculation surrounding the **company** continued.

US **company** Medtronic is the latest **company** to be named as a possible suitor. Last week, it was reported that US **firm** Stryker was considering making a bid for Smith & Nephew, although Stryker subsequently denied the report.

Outside the FTSE 100, the online fashion retailer Asos saw its shares plunge 31%, after it issued a profit warning.

Asos said the strength of the pound had hurt its overseas sales and forced it to launch a series of promotions.

That had a knock-on effect on shares in other clothing retailers.

Shares in Associated British Foods, which owns Primark, fell 0.46% and shares in Next were down 0.08% by the close.

Property website Zoopla announced the price range for its forthcoming flotation. It said its shares would be priced at between 200p and 250p, which would value the **firm** at about 940m pounds.

In other news

"Don't write off **gold**"

Pierpont (Trevor Sykes) in a delightful and erudite column in the Fin Review today summarised the history of **gold**. Abridged extracts:

He said metal, usually **gold**, silver and **copper** that was the medium of exchange for some 4000 years, and the history of paper money introduction (first issued in AD1328 by the MingDynasty in **China**) which was popular since it was easier to carry, through the Bretton Woods agreement in 1944 that set up the IMF and the World Bank, when each member country had to declare the par value of its currency in **gold**. The US set its dollar at \$35 to the ounce.

However, the US began living beyond its means and in 1971 President Richard Nixon unilaterally ended the convertibility of the dollar into **gold** or silver in 1971, killing the **gold** standard internationally.

"The world's de facto reserve currency is still the US dollar, but it is not clear whether or how they can ever repay their current \$US17 trillion debt" he added.

Meanwhile **gold** soared to a peak of \$US1895 in September 2011 - an implicit devaluation of the US dollar. Since then the US Federal Reserve has been pumping money into the banking system and the bankers have been shorting **gold**.

"During that period Germany asked the US to repatriate the 674 tonnes of its **gold** they were holding in Fort Knox. The US refused and wouldn't even let a German auditor into Fort Knox to verify the **gold** was still there. So Pierpont is forced to conclude it obviously wasn't.

"So a country that doesn't hold **gold** is driving the price down to the detriment of countries that do hold **gold**, notably **China**".

Pierpont offered 9 Lessons. The first, Gresham's law (bad currency drives out good) still holds he said. The second - the main reason why the natural consequence of hyperinflation has not yet happened in the US is that the other major convertible currencies - sterling, the Euro and the Yen - are in much the same mess.

Lesson 3 is governments can become addicted to paper money. Lesson 4 says printing money or quantitative easing needs bigger and bigger amounts printed for consumption to continue, just like a heroin junkie needs bigger and bigger fixes. Lesson 5 looks at history, where invading countries and native powers punished or beheaded anyone not using their currency. Lesson 6 is when currency has been devastated, a new currency has to be invented - as in Germany when the Reichsmark was replaced by the Rentenmark on a ratio of 1 trillion to 1, backed by a first mortgage on all the land and other physical assets of the Reich.

Lesson 7 is that nations don't grow rich from consumption but through production. Lesson 9, "Pierpont sincerely hopes Europe and the US can mend their ways and we will not see a global money panic. But if we do, physical goods are the best hedge. In particular, **gold** has outlasted every currency on the planet".

Pierpont's conclusion: Western bankers who have very little **gold** are using bits of paper to damage the value of **gold** held by **China** and other Asian nations. If the **Chinese** ever lose patience with those bankers, all they have to do is start buying short dated Comex contracts and then insist on physical delivery. If that day ever comes, Pierpont hopes all his readers will be holding a few **gold** bars as insurance".

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