

HD DOWN AT MIDDAY IN LINE WITH ASIA AHEAD OF CHINA NUMBERS

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The S&P/ASX200 is down 40.1 points to 5265.8 at midday on light volume worth \$1.4 billion. There are 410 issues higher and 429 down. The SPI Futures is down 46 points to 5221 on light volume of 7944 contracts. Aussie 10 year bond yields are steady at 4.10%. The \$A is at 87.75 US c, about in line with Saturday levels.

*The banks have contributed 18 negative points to the index, resources have contributed 1 negative point, property trusts have contributed 1.2 negative points, retailers have contributed 3.8 negative points and Telstra has contributed 1.9 negative points.

*The Nikkei Dow futures is down 180 points to 15,570 points, Shanghai CSI physical is down 4.62 points to 2000.33, Hang Seng futures is down 167 points to 23,000, S&P futures is down 3.10 points to 1831.20, Nasdaq futures is down 5.35 points to 3579.25 points. Dow futures is down 21 points to 16,375 points.

Gold futures are up \$5.70 to \$1257.60. Crude futures are down 35c to \$94.02.

Markets are cautious ahead of **China's** GDP, IP and retail sales numbers due shortly.

Meanwhile, Bloomberg reports Australia's largest bank valuations are at pre crisis highs on expectations strong yields will continue, but the banks are seen as too pricey for some investors.

Strong demand for physical **gold** out of Asia, principally out of **China**, saw the **gold** price lift.

"Up about 6 or 7 points .. people certainly have more confidence"

"Bernborough" said, "I don't expect much today - up about 6 or 7 points. People certainly have more confidence, but still don't quite know what to do".

The S&P/ASX200 closed down just 3.2 points to 5305.9 on Friday.

TOP STOCKS

*Paladin is up 2c to 58c on 33m shares on the report below.

*AFIC is up 1c to \$6.26 on 123,000 shares on its interim profit report below.

*Wesfarmers is down 51c to \$43.19 on 674,430 shares, also report below.

*Super Cheap recovered 34c to \$11.13 on 1.9m shares.

Among the financials, AMP is down 3.5c to \$4.45.5 on 5.3m shares, ANZ is down 36c to \$0.67 on 2.2m shares, CBA has shed 55c to \$74.92 on 909,096 shares, NAB is down 40c to \$33.34 on 1.3m shares, Westpac is down 32.5c to \$31.27.5 on 1.7m shares.

Among the TMT's Telstra is down 4c to \$5.20 on 13.9m shares, Telecom Corporation is up .5c to \$2.23.5 on 434,768 shares, SingTel is up 1c to \$3.13 on 261,580 shares.

Among the resources BHP is up 1.5c to \$37.90.5 on 2.9m shares, RIO is up 4c to \$66.36 on 261,580 shares. Fortescue fell 6c to \$57.62 on 7.6m shares, Mineral Resources is up 8c to \$11.07 on 380,000 shares, OZL is down 3.5c to \$3.63.5 on 942,427 shares.

Among the oils, Woodside is down 63c to \$38.49 on 990,234 shares. Santos fell 18c to \$14.33 on 571,689 shares, **Oil** Search fell 10.5c to \$8.09.5 on 919,317 shares.

Among the golds, Newcrest is up 46c to \$9.65 on 3.1m shares, Kingsgate is up 10c to \$1.16 on 1.5m shares, Resolute is up 3.2c to \$7.2c on 1.9m shares, Alacer is up 14c to \$2.69 on 339,269 shares with green paint across the board.

AT THE SMALLER END

*TZL is up 2.5c to 18c on 548,558 shares on the report below.

NEWS OF THE DAY

*Iran sanctions will begin to be lifted - meeting its nuclear commitments

Reuters reports world powers and Iran are due to start implementing a landmark deal today curbing Tehran's nuclear program, expected to pave the way for a broad settlement of a decade old stand off. The UN nuclear watchdog is expected to confirm that Iran is meeting its end of the agreement and the EU and US will alter in the day suspend some economic sanctions in return.

*Deutsche Bank pre tax loss on charges

Deutsche Bank on Sunday announced a pre tax loss for the 4th quarter of Euro 1.2 **billion** after taking charges of some Euro 1.66 **billion** for valuation adjustments in areas of credit, debt and funding and others. Litigation costs in the final quarter were Euro 528 **million**.

For the full year pretax profit was Euro 2.1 **billion**.

*Russia is temporarily banning the import of beef by-products from Australia, citing the detection in shipments of a growth stimulant it prohibits and throwing into doubt exports that brought in around A\$10 **million** (\$8.81 **million**) last year for Australia.

The ban will be imposed from Jan. 27 and was prompted by the detection of the growth stimulant in several shipments, Russia's Veterinary and Phytosanitary Surveillance Service said in a statement on Thursday. It was not immediately clear when the ban will be reviewed, Reuters reported.

*Extracts from Barron's Week of January 20 RoundTable discussion Part 1 posted separately.

Our Darvas System related Special Report is on Mineral Resources Ltd today, posted separately.

Changes in substantials reported January 15, 16 and 17 inc posted separately.

Ex div: MHI ex 2c

LARGE CAP INDUSTRIALS

*AFI: NPAT up 10.8%, div 8c, DRP and DSSP at 2.5% disc

Australian Foundation Investment **Company** Ltd, founded in 1928, listed June 30 1962 and profitable and dividend paying since listing, for the half year ended December 31 2013 announced profit after tax was up 3.7% to \$137 **million** on the previous corresponding period (pcp) on revenue up 11.8% to \$150.4 **million**, including \$11 **million** of demerger benefits as a consequence of the Brambles/Recall and Amcor/Orora demergers.

Net operating result for the half year was \$137 **million**, up 10.8% on the pcp.

The interim dividend is 8c fully franked, steady with the pcp, Ex date is February 4, record date is February 10. A DRP and Dividend Substitution Share Plan are available at a 2.5% discount to VWAP for the five trading days after the shares trade ex dividend.

NTA backing per security before provision for deferred tax on unrealised gains was \$5.78 up from \$4.93 for the pcp, both before allowing for interim dividends.

The interest payment on the 6.25% CNs issued in December 2011 will be 43.0993 per \$100 Note, payable on February 28 2014 to note holders on the register on February 20. The notes are expected to commence trading ex interest basis on February 14.

Outlook

Managing director Ross Barker said in the outlook statement the domestic economy is facing a period of transition with declining levels of investment spending in the resources sector, further fiscal tightening and low levels of business and consumer confidence likely to produce subdued growth. Although a lower \$A and low interest rates may provide some support, the key to improvement will be meaningful improvement in productivity and business confidence.

"Against this backdrop we perceive the Australian **equity** market to be currently fully valued. We remain on the lookout for attractive long term investment opportunities but are prepared to be patient at this point".

*DCG: \$34 mln contract from Atlas **Iron** for Pilbara road project

Decmil Group Ltd announced it has won a contract with Atlas **Iron** valued at over \$34 **million** for design and construction of a major road project in the Pilbara of Western Australia.

*SYD: Record year, December the busiest month ever

Sydney Airport for the month of December 2013 announced calendar 2013 was the busiest year on record for the airport, serving 37.9 **million** passengers over the year while December was the busiest month, serving 3.4 **million** passengers and December 21 was the busiest day ever at the international terminal where over 47,300 passengers as well as "meeters and greeters".

Over the month international traffic rose 5.2% to 1,233,000 and was up 4.1% to 12,753,000 for the year, domestic traffic was up 2.6% to 2,183,0900 for the month and up 1.9% to 25,040,000 for the year.

Inbound passenger growth for the month was led by UK, **China** and Singapore nationals. **Chinese** growth was supported by the commencement of the Sichuan Airlines twice weekly service to Chongqing while the Singapore growth was driven primarily by the addition of dedicated capacity.

Australian outbound growth of 4.8% was significantly higher than the year to date growth rate with the most popular Australasian business and leisure destinations being Malaysia, **China**, Philippines and New Zealand.

*WES: Buys Peabody's MDL162 for \$70mln, between Curragh and Curragh N

Wesfarmers announced it has agreed to acquire Mineral Development Licence 162 (MDL162) from Peabody **Energy** Budjero Pty Ltd for \$70 **million**. MDL 162 is located between and adjacent to the Wesfarmers Resources' Curragh and Curragh North **mining** leases and contains 67 **million** tonnes of **Coal** Reserves within a total **coal** resource of 255 Mt. The **acquisition** will augment the total base of **coal** reserves potentially available for **mining** and processing at Curragh's **coal** handling and preparation plants by approximately 29%.

Wesfarmers Resources' MD Stewart Butel said in the report further work is required to convert MDL 162 to a **mining** lease, expected to extend Curragh's mine life and provide future options to further optimise mine **operations**.

*WES: Dec qtr **coal** prod 2.9 **million** tonnes, up 3.0% at Curragh

Wesfarmers Ltd announced for the December quarter Curragh production was 2.9 **million** tonnes, 3.9% higher than the previous corresponding period (pcp). Metallurgical **coal** production increased by 1.3% and steaming **coal** production increased by 10.1% vs the pcp.

For the 12 months to December 31 metallurgical **coal** production decreased 5.7% to 7.5 **million** tonnes, due to Cyclone Oswald in early 2013.

At Bengalla (WES 40%) WES share of **coal** production was 797,000 tonnes, 10.2% below the previous quarter due to operating in a less productive section of the mine sequence.

*WES: Met **coal** price for Curragh for March qtr agreed at 5% disc to Dec qtr

Wesfarmers Lt announced negotiations have concluded with most of the Curragh mine customers. The weighted average \$US49G for the March quarter for Curragh metallurgical **coal** will decrease by approximately 5% as compared to the December quarter.

Approximately 75% of deliveries in the March quarter are forecast to be at the new contract prices with the balance at carry over prices, subject to actual contract deliveries.

The **coal** pricing outcome is in line with a range of recent market price settlements.

LARGE CAP RESOURCES

*AAI/AWC: 3US c per share qtr div, 93.75US c on cumulative prefs

Alcoa has announced a quarterly common stock dividend of 3US c per share payable February 25 to shareholders of record on February 7 and a quarterly dividend of 93.75US c per share to Alcoa's \$US3.75 cumulative preference stock payable April 1 2014 to shareholders of record at close of business on March 14 2014.

*SLR: Record qtr **gold** prod/lifts guidance for year, \$17 mln/nil debt by end Feb

Silver Lake Resource Ltd for the December quarter announced group **gold** production was a record 61,152 ozs, sales totalled 62,265 ozs and guidance increased from 180/200,000 ozs for the year to 205/220 ozs for the year. The Mount Monger mill production was 47,928 ozs, mine production was 39,086 ozs with the guidance for 2014 lifted from 120/130,000 ozs to 160/170,000 ozs for the year.

At the Murchison **gold operations** mill production was 13,224 ozs and mine production 15,993 ozs. A strategic review is in progress.

Guidance for the Murchison **gold operations** has been reduced from 60,000/70,000 to 45,000/50,000 ozs of **gold** ahead of the strategic review, currently under way.

At December 31 cash and bullion on hand totalled \$A17 **million**. Debt was reduced from \$20 **million** to \$8 **million**.

Cash and bullion on hand as at December 31 2013 totalled \$A17 **million**. Bank debt was reduced from \$A20 **million** to \$A8 **million** and will be fully repaid by February 28 2014. The operation remains unhedged.

*PDN: Sells 25% **stake** in Langer Heinrich to **China Uranium** Corp for \$US190m

Paladin **Energy** Ltd announced it signed an agreement on January 18 2014 to sell a 25% j/v **equity stake** in its flagship Langer Heinrich **uranium mining** operation in Namibia to **China Uranium** Corporation Ltd, a wholly owned subsidiary of **China National Nuclear Corporation (CNNC)** the leading **Chinese** nuclear utility for consideration of \$US190 **million**.

The offtake component of the agreement will allow CNNC to **purchase** its pro rata share of product at the prevailing market spot price. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC at arm's length market rates, from Paladin's share of Langer Heinrich production.

Completion is subject only to certain Chinese regulatory approvals including the National Development and Reform Commission, expected to be obtained by mid 2014 and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has agreed to pay a \$US20m non refundable deposit to Paladin.

MID TO SMALL INDUSTRIALS

*TZL: Trial order received for lockers with Pos Indonesia

TZ Ltd announced its integration partner Gunnebo Indonesia co PT Indolok Bakti Utama has been contracted to supply Pos Indonesia with their Smart Parcel Locker requirements for an initial trial program scheduled for deployment in March 2014.

TZ has received the **purchase** order for the initial trial Locker bank and associated software after several months of planning and discussion. If the trial is successful, it is Pos Indonesia's intention to build a parcel locker network throughout Indonesia.

*VTX: Appoints North American CFO

Vortex Pipes Ltd announced the appointment of Sean McGrath as a non exec director and its North American CFO, effective immediately. Mr McGrath has over 17 years experience in financial reporting, accounting and corporate advisory in the North American **oil** and minerals industry. His expertise and

knowledge of the region and industry are of great importance to Vortex as it works to establish key distribution partners for its flagship proprietary ShieldLiner pipeline rehabilitation technology.

*ZGL: 1st half profit to be sharply below pcg, expects full yr in line or better

Zicom Group Ltd advised based on draft consolidated accounts it expects the net results for the half year to reflect the adverse impact of the slowdown in the global economy. Consolidated revenue is expected to be \$554 million vs \$563 million in the previous corresponding period.

Consolidated Profits after tax are expected to be \$51 million vs \$4.2 million in the previous year.

Based on confirmed orders to hand the slack is expected to pick up in the second half year and the company is hopeful of maintaining profits for the full year at the same level as the previous year or better.

The first half has been affected by the grid lock in the US political system and the continuing slow down in the global economy that caused global demand for semi conductors to have fallen about 13% in calendar 2013 according to SEMI, a global industry association serving the semi conductor industry. SEMI has forecast a 23% growth return in 2014. The company's Precision Engineering sector, that had been adversely affected in the first half, is currently experiencing a resurgence in orders in line with the expected recovery.

The medtech technologies continue to encounter challenges that are being addressed. Regulatory approvals for the surgical robot are being updated to accommodate improvements made to the machine. The capability of the drug development technology has been validated and gained acceptance by research laboratories of global pharmaceutical leaders in the US, Europe, Japan and China. (Jan 17)

MID TO SMALL RESOURCES

*CVE: Cove Resources Ltd announced Bryan Hughes of Pitcher Partners has been appointed as Administrator of the Company. The Administrator said during the administration process he will fully explore all options for the company, including the potential sale of its operations and/or a restructure and recapitalisation. (Jan 17)

*SRQ/MGL: MGL repays \$2.1 mln early, Straits director to join MGL board

Straits Resources Ltd announced it has received \$2.1 million from Magontec Ltd in early repayment of a loan from Straits as part of the terms of the agreement with Magontec announced on November 25 2013.

Straits has also converted the CNs held in Magontec, resulting in Straits having a stake in Magontec of approximately 15.5%. Straits exec chair Andre Labuschagne will join the Magontec Board as a non exec director.

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