

**HD MARKET EXPECTED TO CLOSE MILDLY HIGHER**

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

Markets were mostly lower in Europe, slightly lower in the UK and mixed in the US.

On the NYSE where 3235 issues traded there were 2,035 issues higher, 1,094 down and 106 unchanged. On Nasdaq where 2733 issues traded there were 1,178 issues higher, 1,464 down and 91 unchanged.

Metals were lower except for nickel, crude rose, **gold** was sharply lower. The \$A is at 93.35US c, down about 10 points from last evening.

"I'll call us up about 15"

"Bernborough" said, "I expect us to rebound a bit today, although with the Budget hanging over us, and the **iron ore** price still falling it may be muted.

"I'll call us up about 15".

The S&P/ASX200 closed down 45.6 points to 5435.8 last evening.

May 8. Good morning.

\*Janet Yellen upbeat on economy, but signals rates will stay near zero

Fed Reserve chief Janet Yellen offered a mostly upbeat economic outlook in testimony to Congress but signalled while many indicators suggest a rebound in spending and production is already under way, putting the overall economy on track for solid growth in the current quarter, she also signalled that hasn't altered the central bank's plan to keep short term interest rates near zero for the foreseeable future.

\*New hope for de-escalation of Ukraine situation

Russian President Vladimir Putin last night suggested the pro-Russian separatists postpone their referendum on a secession from Ukraine. They have said they will meet to consider his request. He also said he has withdrawn troops from on the Ukraine border to their regular bases (although NATO said it has seen no evidence of this) and welcomed German Chancellor Angela Merkel's call for a round table of all parties concerned, including the separatists.

\*OECD retains 2.5% growth forecast for Australia in 2014, warns on budget cuts

\*The OECD in its latest biannual economic outlook yesterday cut its forecasts for Australia's growth to 2.9 % for 2015, down from its forecast of 3.1 % six months ago.

The forecast of 2.5 % growth for Australia in 2014 was unchanged.

The OECD says non-mining investment is still too weak to offset the slowdown in the mining sector, and for this reason rapid and steep spending cuts will threaten the economic recovery.

"Given near-term uncertainties in the rebalancing of the economy away from investment in the natural resource sector, heavy front-loading of fiscal consolidation should be avoided," the OECD said.

#### 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 mixed. Amcor rose 5c on 25,000 shares, RIO fell 2p on 2.17m shares, BHP rose 48c on 5.55m shares, News fell 8c on 600,000 shares, FOX rose 17c on 6.5m shares. Westpac gained 29c on 70,000 shares, Telstra was up 2c on 150,000 shares. Resmed was steady on 8.4m shares.

PSivida rose 9c on 48,000 shares. Prana was steady on 9.7m shares.

In London Anglo American rose 25.08 points to 1,567.58 on 2.7m shares, Aquarius fell 0.75p to 20.5p on 4.6m shares, BskyB rose 7p to 886.5p on 3m shares, BHP rose 5p to 1,917p on 4m shares, Henderson rose 2.25p to 242.6p on 2.6m shares, RIO rose 32p to 3,247p on 3.3m shares.

#### Trading points:

\*AIO/GWR: AIO led YES Consortium chosen for expansion of Esperance Port

GWR Group Ltd welcomed the announcement made earlier today by Transport Minister Dean Nalder that Yilgarn Esperance Solution Ltd (YES) has been named the preferred proponent to develop the Multi-User Iron Ore Export Facility (MUIOF) proposed for Esperance Port, with the proposed expansion set to almost double the port's iron ore export capacity to about 20 million tonnes per annum. The YES consortium comprises McConnell Dowell Constructors (Aust) Pty Ltd, Asciano Ltd and Marubeni Corporation Ltd.

GWR CEO Craig Ferrier said the establishment of the Esperance MUIOF will offer GWR the opportunity to access a deep water port for the export of its high grade low impurity direct shipping iron ore. (May 7)

\*KMD: Quotes consensus much higher 2014 NPAT f/casts at Macquarie Confce

Kathmandu CEO Peter Halkett and CIO Grant Taylor in their presentation to the Macquarie Conference included current analysts consensus full year 2014 sales expectation for \$NZ405.2 million, NPAT of \$NZ45.9 million vs \$25.2 million for full year 2013 and EBIT of around \$NZ68.7 million vs \$NZ48.5 million in 2013. (May 7)

\*NAB: National Australia Bank reports for the half year.

Analysts expectations: #3.751 bln cash NPAT, up 0.1%, div 98c. (all but one analyst report sighted had full year forecasts, not interim).

As of May 02, 2014, the consensus forecast amongst 31 investment analysts polled by the Financial Times covering National Australia Bank Ltd. advises investors to hold their position in the company. This has been the consensus forecast since the sentiment of investment analysts deteriorated on Apr 28, 2014. The previous consensus forecast advised that National Australia Bank Ltd. would outperform the market. There were 6 "buy" recommendations, 8 "out performs", 11 "holds", 3 "underperforms" and one "sell".

\*On May 2 a leading broker with an "underweight" on NAB and a price target of \$32.50 said it has already factored in a strong UK earnings recovery but it thinks the path to a UK exit is difficult. "At the same time, we believe business banking revenue growth will disappoint, the era of positive cost surprises has ended and NAB's retail bank momentum vs peers is slowing".

\*On March 27 a leading broker with a "lighten" recommendation for NAB and a \$35.19 price target said concerns around a lack of revenue growth are likely to weigh, the composition of the 2013 result was disappointing with no pre provision earnings growth.

\*On March 12 a leading broker with an "outperform" on NAB and a \$39.58 price target said NAB is the only market with a capital return potential of 114/305 cents per share, or alternatively opt for buybacks, due to its organic capital release options and inorganic options - a sale of assets in the UK and US would see capital continue to strengthen by 73/181 bp.

(News Corp reports for the third quarter on Thursday, US time. FOX reported last night).

#### Overseas

The DJIA closed up 117.52 points to 16,518.54.

S&P 500 rose 10.49 points to 1,878.21.

NASDAQ fell 13.09 points to 4,067.67.

US 10yr bond yields were steady at 2.6%.

The US\$ rose 24 points to 101.90 Yen.

The Euro fell 18 points to 1.3913US c.

The Yuan fell 108 points to 6.2368/\$US1.

FTSE 100 fell 2.12 points to 6,796.44 points. European markets closed mostly lower.

The Nikkei Dow last evening fell 424.06 points to 14,033.45.

Shanghai SE Comp IX fell 17.96 points to 2,010.08.

#### 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 \$62 to \$6,655/fell \$51 to \$A7129. Stockpiles fell 8,475 tonnes to 216,950 tonnes.

Aluminium fell \$15 to \$1,769/fell \$12 to \$A1895. Stockpiles fell 13,525 tonnes to 5,331,600 tonnes.

Nickel rose \$150 to \$18,650/gained \$203 to \$A19,979. Stockpiles fell 1,080 tonnes to 278,436 tonnes.

Zinc fell \$22 to \$2,030/fell \$19 to \$A2175. Stockpiles fell 2,500 tonnes to 763,750 tonnes.

**Lead** fell \$30 to 2,080/fell \$27 to \$A2228. Stockpiles fell 225 tonnes to 193,600 tonnes.

Tin fell \$65 to \$23,105/fell \$17 to \$A24,751. Stockpiles rose 170 tonnes to 9,705 tonnes.

**Iron Ore** fell 90c to \$105.10/fell 72c to \$A112.59.

Steel was indicated at \$400/410. Stockpiles and cancelled warrants (stocks sold but pending removal from the warehouse) both fell 260 tonnes to 9,165 tonnes and 4,875 tonnes respectively.

Cobalt was indicated at \$29,500/30,500. Stockpiles fell 11 tonnes to 540 tonnes. Cancelled warrants fell 14 tonnes to 156 tonnes.

Molybdenum traded at \$28,500/29,500 tonnes. Stocks and cancelled warrants both fell 18 tonnes to 114 tonne and to 18 tonnes respectively.

WTI crude rose \$1.27 to \$100.77/gained \$1.59 to \$A107.95.

Brent Crude rose \$1.07 to \$108.13/gained \$1.39 to \$A115.83.

\*The US **Energy** Information Administration reported **oil** stocks fell by 1.8 **million** barrels to 397.6 **million** barrels last week vs a rise of 1.2 **million** barrels expected.

Spot **gold** fell \$19 to \$1,290/fell \$17.36 to \$A1382. Spot silver fell 27c to \$19.32/fell 24c to \$A20.70. Spot platinum fell \$20 to \$1,434/fell \$18 to \$A1536. Spot palladium fell \$22 to \$796/fell \$22 to \$A853.

#### Overseas eco news

In US eco news, non farm productivity was at negative 1.7% in the first quarter on weather impact the Labor Department reported, following a revised 2.3% increase in the 4th quarter and vs a fall of about 1.2% expected. Preliminary unit labor costs came in at 4.2%.

\*US consumer credit rose by \$17.5 **billion** March following a downwardly revised \$13 **billion** rise in February and vs \$15.5 **billion** expected.

\*US mortgage applications rose 5.3% in the week ended May 2, the Mortgage Bankers Association reported. The seasonally adjusted index of refinancing applications rose 2.4% while the gauge of loan requests for home purchases rose 8.95.

Fixed 30 year mortgage rates averaged 4.43% in the week, the lowest since November 2013. It was down 6 basis points from 4.49% the week before.

\*The EU retail PMI came in at 51.2, up- on 49.2 in April.

\*German factory orders fell 2.8% in March vs a 0.3% increase expected.

French industrial production fell 0.8% vs a rise of 0.3% expected.

The French trade deficit was a larger than expected Euro 4.9 **billion** vs Euro 4 **billion** expected.

Overseas **equity** news

\*In the US of the Dow 30 there were 25 stocks higher and 5 down.

United Health rose furthest, up \$2.65 or 3.52% to \$77.91 followed by American Express, up \$1.78 or 2.06% to \$87.98 and Visa, up \$3.34 or 1.63% to \$208.70. On the downside, Merck fell furthest, shedding \$1.27 or 2.22% to \$55.84. Walt Disney gave back some of yesterday's gain, falling 74c or 0.91% to \$80.29 followed by Pfizer.

Twitter fell a further \$1.19 or 3.74% to \$30.66 and another 11c after hours ahead of stock coming out of escrow.

AOL fell \$9.05 or 20.62% to \$34.85 on market and rose 5c after hours after the strong rise in revenue was overshadowed by lower profits on restructuring charges and writedowns.

Whole Foods fell 15% after reporting lower than expected profits and lowering its outlook. (Handelsblatt adds the environmentally sound natural food **company**, well run but high priced is being challenged by Aldi's "Trader Joe" and other lower priced competitors).

Tesla fell \$5.93 or 2.86% on market to \$201.35 and another \$14.85 or 7.38% after hours to \$186.50 although it reported strong revenue and profit growth.

\*In Europe national benchmark indexes fell in 10 of the 18 western European markets. Fiat fell 12% to Euro 7.48 after saying EBITDA fell to Euro 622 **million** in the first quarter vs Euro 854 **million** expected.

Soc Generale fell 0.8% to Euro 43.52 after saying net income decreased to Euro 315 **million** from Euro 364 **million** a year earlier and vs Euro 868 **million** expected. Soc Generale wrote down Euro 525 **million** at its Russian unit, citing a declining rouble and uncertain environment.

Saint-Gobain fell 3.3% to Euro 42.22 after Wendel said it will sell 24 **million** shares or about 4.3% to institutional investors, retaining about 12%.

Finmeccania fell 7.5% to Euro 6.05. Credit Agricole rose 6.8% to Euro 11.86 after saying net income rose to Euro 868 **million** as expected. Henkel rose 5.4% to Euro 83.05 after the German maker of Persil washing detergent said first quarter earnings before interest and taxes excluding one time items and restructuring costs, climbed 3.3% to Euro 619 **million** on higher demand from markets such as **China**, Russia and Turkey, Bloomberg reported.

Siemens rose 2.1% to Euro 95.84 after saying it will buy some **energy** assets from Rolls Royce Holdings Plc for \$1.3 **billion**. It also plans to list its hearing aid unit, and separate management of its health care business from power generation, **oil** and gas **operations**.

\*In the UK the FTSE 100 edged down 2.12 points at 6796.44, halving its fall on the day after Putin said Russia has withdrawn its troops from the border with Ukraine, offsetting losses by banks after HSBC reported reduced profits. HSBC shares dropped 1.3% to 596.5p after the bank reported a 20% drop in first quarter profits to \$6.8bn. Barclays fell 0.7% to 243.3p after Citigroup said it may not meet its target of an 11.5% return on **equity** until 2017, a later than earlier forecast, Bloomberg reported.

Shares in Sainsbury's fell 2.9% after the supermarket's full-year results.

Underlying profits at Sainsbury's rose by 5.3% to £163,798m, ahead of analysts' forecasts.

Shares in Sainsbury's had risen at first, but fell after new research from data **firm** Kantar showed the big four supermarkets continuing to be squeezed by discount chains such as Aldi and Lidl, and upmarket retailers such as Waitrose.

Experian shares fell 6.5% to 1,070 p after the credit rating service said subdued trading in Brazil because of the forthcoming World Cup soccer tournament will impede first half growth.

Legal & General rose 3% to 220p after bulk sales of annuities to **company** pension plans rose to a record 3 **billion** pounds in the first quarter.

data **firm** said that its growth in the first half of the year was set to slow.

ITV shares rose 0.9% following news that the broadcaster had agreed to buy a controlling **stake** in US TV producer Leftfield Entertainment.

ITV is paying \$360m (&#163;212m) for 80% of Leftfield, whose programmes include Pawn Stars, American Restoration and Real Housewives of New Jersey.

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