

**HD MARKET EXPECTED TO CLOSE MILDLY HIGHER**

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

Markets in Europe, the UK and US closed mildly higher on Friday night.

On the NYSE where 3239 issues traded there were 2,108 issues higher, 1,044 down and 87 unchanged. On Nasdaq where 2787 issues traded there were 1,700 issues higher, 997 down and 90 unchanged.

Metals were weaker, crude was mixed, **gold** was unchanged. The \$A is at 92.433 US c, down about 10 points from Friday evening.

Market expected to close barely higher

Gerald Stanley, a Fibonacci chartist said, "I expect the market to trade within the narrow range of Thursday's high and Friday's low, closing mildly higher, i.e. up 9".

The S&P/ASX200 closed down 19.2 points to 5445.1 last Friday.

June 30. Good morning.

BIS warns ultra low rates prolonged may create the situation they seek to prevent

BBC News reports the Bank for International Settlements (BIS) has warned that ultra-low interest rates have lulled governments and markets "into a false sense of security".

The Basel-based organisation - usually dubbed the "central banks' central bank" - urged policy makers to begin to normalise rates.

"The risk of normalising too late and too gradually should not be underestimated," the BIS said.

"Overall, it is hard to avoid the sense of a puzzling disconnect between the markets' buoyancy and underlying economic developments globally," the BIS said in its annual report.

It said that low interest rates had helped increase demand for higher risk investments on stock markets as well as in property and corporate **bonds** markets.

While global growth has improved, the BIS said it was still below its pre-crisis levels.

"Growth has disappointed even as financial markets have roared: The transmission chain seems to be badly impaired," the BIS said.

And it warned that taking too long to do this could have potentially damaging consequences, by encouraging investors to take too much risk.

"Over time, policies lose their effectiveness and may end up fostering the very conditions they seek to prevent," it said.

"The predominant risk is that central banks will find themselves behind the curve, exiting too late or too slowly," it added.

The BIS was founded in 1930 and is the world's oldest international financial institution.

Its 60-strong membership includes the Bank of England, the European Central Bank, the US Federal Reserve, the People's Bank of **China** and the Bank of Japan.

In the Ukraine

BBC News reports Ukrainian President Petro Poroshenko has extended a week-long ceasefire with pro-Russian separatists in the east for another three days.

He said he was hoping for progress on his peace plan.

Some rebel leaders in the Donetsk and Luhansk regions said they would observe the truce, but others rejected it.

Mr Poroshenko's announcement came hours after he had signed a landmark EU trade pact - the issue that has been the trigger of the recent crisis.

He said it was a "historic" moment, but Russia warned of "consequences" and that Ukraine would split in two.

Separatists in the east held talks on Friday with mediators, including Ukraine's former President Leonid Kuchma, Moscow's ambassador in Ukraine and the Organization for Security and Co-operation in Europe.

Mr Putin said: "There is bloodshed in the south-east Ukraine, humanitarian catastrophe, tens of thousands of refugees have to look for shelter, on Russian territory."

Mr Poroshenko set out a 15-point peace plan on 20 June. It involves decentralising power and holding early local and parliamentary elections.

It also proposes the creation of a 10km (six-mile) buffer zone on the Ukrainian-Russian border, and a safe corridor for pro-Russian separatists to leave the conflict areas.

German Chancellor Angela Merkel warned Russia the EU was prepared for "drastic measures" if there was no speedy progress on Mr Poroshenko's peace plan.

French President Francois Hollande said more measures would be taken if there was no progress after Sunday, when he and Mrs Merkel will speak to Mr Putin by phone.

Fighting is said to have continued in some areas of eastern Ukraine despite the ceasefire.

In Iraq

US armed drones are now flying over Iraq. They bombed what turned out to be an empty house. ISIS (the Independent State of Iraq and Syria (actual word used is Levant, which may mean Syria) is rapidly advancing, they are now also in Baghdad. Syria and Iran may join with the US as the entire region becomes alarmed for their own countries.

\*Foreign Secretary William Hague says all sides in Iraq must work together to face a 'lethal and mortal threat' to their country.

Speaking on the Andrew Marr Show, he ruled out any UK military intervention.

(Comprehensive reports on BBC News).

"The Age" adds, "ISIS, or ISIL has declared The Islamic State of Iraq and the Levant. The group has called on all other related Sunni factions, including al-Qaeda, to pledge their allegiance to the new state, which it says stretches from Aleppo in Syria to Diyala in Iraq.

In a statement distributed online on Sunday – the newly-minted Islamic State declared its chief Abu Bakr al-Baghdadi as "the caliph" and "leader for Muslims everywhere". Baghdadi is thought to be the leader and strategic thinker behind ISIL.

The group's statement – translated from Arabic into English, French, Russian and German – made it clear it would perceive any group that failed to pledge allegiance an enemy of Islam," Mr Lister said.

Released on the first day of the holy fasting month of Ramadan, the statement establishing a caliphate, a system of rule that ended nearly 100 years ago with the fall of the Ottoman Empire, reads: "Here the flag of the Islamic State ... rises and flutters. Its shade covers land from Aleppo [Syria] and Diyala [Iraq].

"The infidels are disgraced. The Sunnis are masters and are esteemed. The people of heresy are humiliated. The Sharia penalties are implemented, all of them.

"The front lines are defended, crosses and graves demolished. Governors and judges have been appointed, a tax has been enforced and courts will resolve disputes and complaints."

ISIL, also known as ISIS, already controls large swathes of northern Iraq after a sustained assault which began with the overthrow of Iraqi control of the country's second largest city of Mosul, near the Syrian border, on June 9.

\*Barron's in its issue for Week of June 39 had The World's Most Respected Companies as its cover story. Apple won top honors, Berkshire Hathaway was next.

Barron's was bullish on International Paper - said the shares could rise 40% on higher dividends and buybacks.

\*Barron's was bullish on NetApp and Adobe.

\*Barron's cautioned that new rules on home healthcare spending could curb ResMed's profit growth and the stock's steady gains (more in "trading points" below).

\*Barron's International Trader - Europe focused on UK pharma Shire, a takeover target.

\*Barron's International Trader - Asia had three top picks in Asia: Mitsubishi UFJ Financial Group in Japan, Larsen & Toubro in India (much like Leighton's was in Australia - builds roads, bridges, tunnels and airport terminals).

And Hon Hai Precision in Taiwan (makes iPhones, iPads and iPods).

\*Barron's Emerging Markets column warned **China's** housing bust isn't done.

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. AWC fell 1.5c on 66,000 shares, Amcor rose 3c on 72,000 shares. RIO rose 13p on 1.4m shares, BHP gained 13c on 1.6m shares, News rose 18c on 1.14m shares, Westpac gained 18c on 46,000 shares. Telstra fell 1c on 125,000 shares, Resmed rose 6c on 8.8m shares.

PSivida was steady on 31,000 shares, prana rose 1c on 16.1m shares.

In London Anglo American rose 3p to 1,431p on 1.58m shares, Aquarius fell 0.5p to 23.75p on 483,892 shares, BskyB rose 3.5p to 893p on 1.7m shares, Henderson fell 0.2p to 236.5p on 803,933 shares. RIO fell 12.5p to 3,123p on 2.3m shares.

Trading points:

\*RMD: "ResMed shares ripe for a fall

The broker said while over a remarkable two decades Resmed has grown sales at a double digit annual rate by focusing on one thing" home medical gear to treat sleepers' breathing problems.

"Even with the \$52 shares near their all time high, Resmed trades at about 19x the average estimate for next year's earnings.

"But Resmed bulls had better sleep with an eye open. March sales reportedly were aided by a quarter end deal with a large customer while profit was boosted by noncash accruals. And the cost cutters are far from finished with the home medical industry.

The Centers for Medicare & Medicaid Services is contemplating further controls on the utilization and pricing of products like CPAP.

On the table are proposals to require prior approval for CPAP treatment and to bundle all payments into a fixed monthly fee per patient - measures that have successfully curbed the overuse of costly drugs in kidney dialysis. If such economies end up affecting ResMed's profit growth, the stock could settle to a market multiple, which would send the share price down by at least 15%" Barron's reported.

Ex div: CAM ex 1.2c.

Changes in substantials reported June 25, 26 and 27 inc posted separately.

#### Overseas

The DJIA closed up 5.71 points to 16,851.84.

S&P 500 rose 3.75 points to 1960.97.

NASDAQ gained 18.88 points to 4,397.93.

US 10yr bond yields were steady at 2.53%

The US\$ fell 29 points to 101.43 Yen.

The Euro fell 40 points to 1.3650US.c.

The Yuan rose 123 points to 6.2197.\$US1.

FTSE 100 rose 22.65 points to 6,757.77. European markets closed slightly higher.

The NikkeiDow last evening closed down 213.49 points to 15,095 points.

Shanghai SE Comp IX closed down 2.17 points to 2,036.51.

#### 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 \$5 to \$6,945/fell \$13 to \$A7370. Stockpiles fell 850 tonnes to 150,150 tonnes.

Aluminium was down \$13 to \$1,884/fell \$16 to \$A1999. Stockpiles fell 6,550 tonnes to 5,060,425 tonnes.

Nickel rose \$70 to \$18,920/gained \$53 to \$A20079. Stockpiles rose 234 tonnes to 305,790 tonnes.

Zinc was down \$5 to \$2,185/fell \$8 to \$A2319. Stockpiles rose 1,300 tonnes to 669,000 tonnes.

**Lead** fell \$13 to \$2,161/fell \$16 to \$A2293. Stockpiles rose 1,500 tonnes to 193,400 tonnes.

Tin fell \$125 to \$22,300/fell \$158 to \$A23,665. Stockpiles rose 100 tonnes to 11,285 tonnes.

**Iron Ore** fell 40c to \$94.90/fell 53c to \$A100.71.

WTI crude fell 10c to \$105.74/fell 23c to \$A112.21.

Brent Crude rose 9c to \$113.30/fell 3c to \$A120.24.

Spot **gold** was steady at \$1,317/fell \$1.48 to \$A1398. Spot silver fell 9c to \$20.99/fell 12c to \$A22.28. Spot platinum rose \$7 to \$1,477/gained \$6 to \$A1567. Spot palladium rose \$6 to \$8941/gained \$5 to \$A892.

#### Overseas eco news

In US eco news, the Thomson Reuters/University of Michigan index of sentiment came in at 82.5 vs 82 expected and the earlier estimate of 81.2 after being lower in May.

\*In the Euro zone the June 2014 Business Climate Indicator (BCI) for the euro area decreased by 0.14 points to +0.22. Managers' evaluation of all five components of the BCI deteriorated. Caution increased in particular with regard to the level of past production, production expectations and overall order books. Export order books and the stocks of finished products were assessed only slightly more negatively.

\*In the Euro zone economic confidence edged down to 102.0 this month from a revised of 102.6, higher than analysts' forecast of 103.0.

\*German CPI rose to 1% from 0.6% in May, the Federal Statistics Office reported and vs up 0.7% expected.

\*In the UK the GDP growth estimate for the first quarter of 2014 from the Office for National Statistics came in unchanged at 0.8%, although the figures also showed a rapid pick-up in business investment.

Overseas **equity** news

\*In the US of the Dow 30 there were 20 stocks higher and 10 down.

Nike led the way higher, closing up 53c or 1.27% to \$42.25 on the World Cup effect. Nike sales rose 18%, with best sales in Europe. Nike was followed by Walt Disney and IBM.

Du Pont led the way down falling \$2.26 or 3.34% to \$65.44 followed by Merck and Exxon.

Sneaker store chain Finish Line rose, after reporting earnings and sales above expectations. Foot Locker rose 2.6%.

Dollar General rose more than 7% lower after CEO Rick Dreiling announced he was retiring in 2015. Keurig Green Mountain shares rose over 4% on a broker upgrade. 5

\*In Europe national benchmark indexes gained in 11 of the 18 western European markets last night. Adidas rose sharply. BNP announced a sharply lower dividend, as it is working on a \$9 **billion** settlement with the Justice Department. The shares closed flat. Mediaset rose 4% to Euro 3.62 on a broker upgrade of the broadcaster. Lundin Petroleum rose 3.8% to Swedish Kr 135.10 on a broker initiating coverage with a "buy". Banco Espirito Santo fell 11% to Euro 0.72.1c on a broker downgrade.

German travel giant Tui and its UK subsidiary Tui Travel have announced plans to **merge** following years of speculation about such a deal.

The firms said a merger would deliver a number of benefits, including 45m euros (&#163;36m; \$61m) of cost savings a year.

Tui currently owns a 55% share in its UK subsidiary.

The share prices of both companies rose following the announcement, with Tui up 3.5% in Frankfurt and Tui Travel up 4% in London.

\*In the UK Shares in housebuilders continued to rise after measures announced by the Bank of England on Thursday to cool the housing market were not as severe as feared.

Barratt Developments rose 3.2% and Persimmon was up 1.5%, adding to gains seen in the previous session.

Tui Travel led the way, gaining 3.5% after announcing a merger deal with parent **company** Tui.

Rolls-Royce rose 2.2% to 10.69 pounds on reports it could be an exclusive engine supplier to Airbus' upgraded A330 planes.

Diageo and SABMiller rose 0.8% to 18.48 pounds and SAB was up 0.3% to 33.66 pounds on merger speculation.

In the FTSE 250, shares in National Express climbed 3.6% after its c2c rail **firm** won the 15-year Essex Thameside rail franchise.

**Oil** services group Petrofac fell 1.2% to 12.08 pounds a day after it announced it would bundle three projects into a new infrastructure j/v with First Reserve.

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