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HD	**PROPERTY WARS Trade Me's stoush with real estate agents over its fee increases...**
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PROPERTY WARS Trade Me's stoush with real estate agents over its fee increases for property listings has driven a down-grade from one analyst.

Stephen Ridgewell at Craigs Investment Partners has dropped his rating from buy to hold and believes the online auction company will miss its consensus earnings estimates for the 2014 financial year because it will need to up its marketing spend to counter competition from rival real estate sitewww.realestate.co.nz.

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Some real estate agents in Hamilton and Hawkes Bay have removed listings from Trade Me in recent weeks in protest at its fee increases, prompting a Commerce Commission investigation.

Trade Me is moving from a capped subscription rate to a fee per listing rate for agents.

Ridgewell said the agent boycott to date had been small with an estimated impact of less than 3 per cent but he warned it was early days and the problem may escalate.

Industry-owned website realestate.co.nz had also launched a TV advertising campaign for the first time since 2006, prompting Trade Me to launch its own ad campaign on TV, radio and print.

``We think Trade Me will spend an extra $3 million promoting Trade Me property in the second half of 2014 than assumed in full-year guidance."

He also expects negotiated fee increases with the big-six property agencies to be at the low end of expectations.

Ridgewell said property was a key growth engine for Trade Me, prompting him to lower his 12-month target price from $4.81 to $4.45 based on lower earnings and a 15 per cent probability real estate agents migrated to realestate.co.nz.

The issue is already weighing on the stock with Trade Me shares hitting an 18-month low of $3.76 on Monday. The company is to report its half-year result to December 31 on Wednesday. Its shares closed on $3.95 yesterday.

OUT OF FAVOUR Morningstar has ditched Telecom from its best ideas list ahead of the company's result next Friday. The research firm said it had removed Telecom on relative valuation grounds. Telecom shares have been slowly edging upwards after hitting a year low of $2.16 in June. Yesterday they closed on $2.42. Instead of Telecom, Morningstar has picked up SkyCity Entertainment Group on the back of its competitive advantages in gaming at its New Zealand and Australian casinos.

Shares in the casino operator plunged ahead of its result this week touching $3.60. It reported a drop in its normalised net profits from $72.1 million to $66.4 million for the six months to December 31.

But Morningstar is betting on bullish growth for the company.

``We believe the firm's growth trajectory is likely to accelerate going forward, driven by the $800 million expansion of the Adelaide and Auckland casinos."

SkyCity shares closed on $3.66 yesterday.

NO LOVE FOR OZ BANKS Despite another record result from an Aussie bank this week, analysts from global asset manager MFS told Kiwi clients Australian banks did not stack up and they preferred banks in India, Indonesia and the Philippines.

Vipin Narula said neither the risk nor the rewards looked favourable for the Aussie banks. He said Australia had seen 21 years of uninterrupted credit growth and he questioned whether it could continue.

Australia's largest bank, Commonwealth Bank of Australia, which owns ASB Bank in New Zealand, was valued at three times its book. ``I look at all this and say `can this go on for much longer?' I see a price correction.''

Narula said MFS looked very closely at bank balance sheets when choosing where to invest and did not like to see loan books exceeding deposits, which was the case in countries in Europe and Australia.

To meet their funding shortfalls the banks issued bonds and the problem with that was they needed to be rolled over and that could create issues if people did not want to continue to **buy** the bonds. He was also concerned about a decline in the housing market affecting the banks.

``When economies turn the house prices fall, which is a big problem for the banks. Australia, Singapore and **Hong Kong** all look stretched. If there is a downturn people lose their jobs and can't pay their mortgages. Banks liquidating assets could be painful.''

HALF STEPS The NZX is hoping to encourage more trading in some of the lower-priced listed stocks by introducing a half-cent price step. From Monday, 10 companies whose share prices range between 20c and 50c will drop from the current 1c tick up or down option.

The change follows a successful trial of the half-cent option for all listed **property** stocks and dual-listed companies priced under $2.50, which the exchange introduced a year ago.

The change at the smaller end of town is designed to help reduce the volatility in share price movements, given a 1c change for a 20c stock equates to a 5 per cent move.

The change is also hoped to boost trading in those stocks as it will potentially make the gap between buyer and seller bids much closer.

Varying levels of price steps between different stocks is not a new tool - it's commonly used at exchanges around the world including the ASX.

BIG AND LITTLE Fund manager Milford Asset Management has opened an office in Sydney to enhance its research capabilities into Australian companies.

Three of the **firm**'s 11-member investment team have moved across the ditch in a first for a New Zealand boutique.

Milford managing director Anthony Quirk said the move was primarily about getting better results out of its Australian investments. Of the $2.7 billion Milford manages $580 million is in Australian equities. Quirk said it would also consider expanding the team over time and launching into the Australian managed funds space.

``The Australian market - managed funds and investors - is very large but very competitive. We would have to do that in a considered fashion.''

Despite the expansion plans Quirk said Milford still considered itself boutique because of its staff ownership and culture. ``We are still very much of a boutique mindset.'' But being larger also meant it could make decisions like expanding into Australia, he added.

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CO abncrg : Craigs Investment Partners Ltd. | trdme : Trade Me Group Ltd | ffaxj : Fairfax Media Ltd

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