

**HD MARKET EXPECTED TO CLOSE LOWER**

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

Markets closed down in Europe, the UK and US last night.

On the NYSE where 3252 issues traded there were 1,328 issues higher, 1,787 down and 137 unchanged. On Nasdaq where 2813 issues traded there were 920 issues higher, 1,770 down and 123 unchanged.

Metals were weaker, crude was mixed, **gold** rose. The \$A is at 93.56US c, unchanged from last evening.

"Down another 20 points today"

"Maree said, "Our market will finish the week with a fall in the ASX200 as world stock markets react to escalating Ukraine/Russian tensions rather than improved growth in the USA.

"**China**'s property market however remains the biggest concern for Australia's economic prosperity with only 2 out of the 70 **Chinese** cities reporting a price rise compared with 62 out of 70 this time last year. The **Chinese** have major investors in the Australian property market and we may see repatriation of **Chinese** funds from Australia as they shore up losses in their own property market. This would certainly stress the Australian property market with prices falling and the effect ripping through the whole economy.

"Together with falling **iron ore** prices impacting our export receipts and unemployment at 12 year highs, the economy may be entering very turbulent times.

"I expect our market closes down another 20 points today".

The S&P/ASX200 closed down 26.8 points to 5624.4 last evening.

August 29. Good morning.

In the Ukraine Nato releases satellite images which it says show Russian forces inside Ukraine to help rebels fight government troops - a claim Russia denies (more below in other news). The escalation of strife in the Ukraine saw markets turn down last night.

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. AWC fell 1c on 46,000 shares, Amcor rose 1c on 24,000 shares, RIO rose 27p on 4.7m shares, BHP fell 42c on 5.15m shares, News rose 3c on 540,000 shares, Westpac gained 3c on 2,000 shares, Telstra was steady on 194,000 shares, Resmed fell 1c on 9.1m shares.

PSivida rose 13c on 109,000 shares. Prana rose 1c on 5.6m shares.

In London Anglo American fell 55.5p to 1,512.5p on 3.7m shares, Aquarius fell 0.5p to 23.75p on 272,882 shares, BskyB was steady at 871p on 1.7m shares, BHP fell 54.5p to 1,891p on 10.6m shares, Henderson fell 1p to 234p on 2m shares, RIO fell 126.5p to 3,209 p on 8.69m shares.

Trading points:

\*CGH: NPAT up 10.1%, 2.5c ff div, DRP at no disc/outlook update at AGM

Calibre Group Ltd for the year ended June 30 announced a net profit up 10.1% to \$24.426 **million** on revenue down 0.3% to \$709.268 **million**.

A final 2.5c fully franked dividend was announced. Ex date is September 10, record date September 12. The DRP is available at no discount.

NTA backing per security is 10c vs 1c last year.

EPS 7.6c up 4.1%.

Calibre's strong operating cash flows delivered closing cash of \$46.4 **million** and resulted in a net cash position of \$2.8 **million** vs a net debt position of \$23 **million** for the pcg.

Calibre provides its services through three key segments - infrastructure, consulting and resources.

Revenues increased following a full year contribution from G&S Engineering vs 9 months for the previous full year, driven by two major projects, the Hay Point **Coal** terminal onshore upgrade project and the Caval Ridge project for BHP Mitsubishi Alliance.

Consulting revenues rose 22.9% to \$68.6 **million**.

Resources revenue fell 36.7% to \$312 **million**, affected by completion of a number of large scale projects and continued tight market conditions.

Outlook

Calibre expects a stronger skew to revenue and earning in the 2nd half compared to previous years. An update will be provided at the AGM.

Analysts expectations: \$32.9 mln (Aug 28)

\*EQT: NPAT up 12%, 48c ff div, DRP at 2.5% disc/**acquisition** highly successful

**Equity** Trustees Ltd for the year ended June 30 announced a net profit after tax up 12% to \$9.713 **million** on revenue up 15.7% to \$54.935 **million**.

A 48c fully franked dividend was announced, record date September 18. The DRP is available at a 2.5% discount.

NTA backing per security is \$9.5 vs \$1.89 last year.

EPS is 88.64c vs 87.58c last year.

The material increase in NTA followed the settlement of the **acquisition** of **Equity** Trustees Wealth Services Ltd (ETWSL) (formerly ANZ Trustees Ltd) on July 4. If the capital raising were notionally excluded, the NTA backing per share would be \$2.22.

Chairman Tony Killen said in the report the increase in operating result reflected organic growth in both EQT's main revenue business units.

Managing director Robin Burns said integraton is still in early stages, but the business is a very close fit with EQT's long term strategic plan. There is also a 5 year referral agreement in place with the ANZ bank.

**Equity** Trustees has almost doubled its market cap with the **acquisition**, the chairman noted. In addition the number of shareholders increased 30% to approximately 2,400 and institutional representation on the register has grown materially. (Aug 28)

\*REX: NPAT down 44.9%, no div, balance sheet strong, confident outlook

Rex Resources Ltd for the year ended June 30 announced a net profit down 44.9% to \$7.725 **million** on revenue down 1.9% to \$253.336 **million**.

No dividend was announced.

Basic and diluted eps is 7c vs 12.8c last year.

NTA backing per security is \$1.64 vs \$1.57 last year.

Executive chairman Lim Kim Hai in his Annual Report said it would be an understatement to say that Australian aviation is in crisis. Both the Qantas and Virgin Australia groups are losing money at a rate that would see their net tangible assets wiped out in three years or less unless they manage to recapitalise. The situation is much worse in the regional aviation sector. In the last nine months alone, three more names have been added to the graveyard of Australian regional carriers since September 2011.

He chronicled 16 regional airlines that have closed their doors since 2004, with Vincent Aviation the most recent closure, this year.

He said Rex is the only listed passenger airline left that is making a profit, "and as long as we continue to do so, we have the capability to ride out this crisis .. when the inevitable recovery takes place Rex will be there, stronger and better prepared than ever". (Aug 28)

\*SCG: Prices \$400m fixed rate 7 year notes for part payment of bridging loan

Scentre Group has priced \$400 million fixed rate 7 year note with a coupon of 4.5% under its Australian Domestic Medium Term Note Program. The proceeds will be used to partly repay Scentre Group's bridge facility. Following this repayment approximately \$1.6 billion will be outstanding under the bridge facility. (Aug 28)

\*QAN: Ratings not impacted, outlook negative

Standard & Poor's and Moody's have confirmed their ratings are unchanged.

Moody's rating remains at Ba1 corporate family rating, Ba2 senior unsecured long term or non prime rating, outlook remains negative.

S&P's rating remains at BB+/Negative/B. (Aug 28)

Reporting today:

\*FFI: FFI Holdings reports for the year.

(FFI Holdings has been profitable and paid a dividend since listing in January 1987 on the Second Board).

\*GXL: Greencross Ltd reports for the year.

\*HVN: Harvey Norman reports for the year.

Analysts expectations: \$203.4 mln/\$201.4 mln/\$192 mln.

On July 29 a leading broker retained an "accumulate" recommendation on Harvey Norman. The broker said Harvey Norman's tactical support for its franchisees indicates there may be some issues with franchisee health. HVN is exposed to more difficult markets compared to other discretionary retailers, valuation remains supportive. The broker's price target is \$3.68.

\*TAP: Gross profit \$6.9m before writedowns, no div/1st prod late 3rd qtr

TAP Oil Ltd for the half year to June 30 2014 announced a loss of \$2.514 million on revenue down 11% to \$12.719 million.

Gross profit was \$6.9 million and EBITDAX was \$500,000. '

The net loss after tax of \$2.5 million was after \$4.9 million in exploration write downs/impairment.

No dividend is proposed.

NTA backing is 35c vs 37c at December 31.

Receipts from customers during the half year totalled \$ 15.812 million vs \$15.233 million for the previous corresponding period and net cash flows from operations were \$3.623 million inflow vs \$2.215 million outflow for the pcip.

At close the cash balance was \$17.846 million vs \$43.5 million at end December.

Managing director Troy Hayden said in the report the first half was a solid period with a number of highlights including a major refinancing deal with BNP and the ongoing advancement towards the commissioning of Tap's flagship Manora Project, scheduled for first production late in the third quarter of 2014.

"TAP is set to emerge as a mid tier producer, generating substantial net cash flows in the short term, against a **company** backdrop that is strong financially and operationally".

Analysts expectations: Neg \$800,000.

\***Oil** & Gas Weekly in its issue dated July 13 said TAP is looking for first production from the Manora **oil** field in late September, that will return TAP, with a 30% interest in Manora, which is estimated to have 31.1 **million** barrels of recoverable reserves, to producer status.

Barring any unforeseen problems with the upcoming development drilling program, Tap is fully funded for its share of the development cost of Manora.

TAP is expected to repay the 4 year borrowing base debt facility with BNP Paribas for up to \$US90 **million**, executed in April this year, within the first thirtysix months of the start of production. (Aug 28)

\*TCQ: Transmetro reports for the year.

**Company** guidance: On August 7 Trinity Ltd in guidance for the year ended June 30 announced it expects a net profit of \$400,000/500,000 vs a loss of \$4.4 **million** last year on total comprehensive income of \$400,000.

Comparatively the group's 2013 financial year loss included a \$4 million expense relating to a net writedown and loss on disposal of a significant portion of TCQ's investment in assets at the Cumberland Lorne Resort in Lorne, Victoria.

Results will be announced on August 29.

\*TSE: Transfield Services reports for the year.

Analysts expectations: \$62.6 mln.

On July 10 a leading broker retained an "underweight" on Traansfield Services following TSE's announcement that it has been awarded a contract to manage Australian Defence facilities across WA, NT, Victoria, Tasmania and South Australia for six years with a four yera option at \$270 **million** per annum, \$140 **m** of which is incremental to TSE's existing Defence revenue.

The broker added, "In our view attention is now likely to turn to (1) TSE's tenuous fiscal position and (2) Easternwell's ongoing growth delays. The broker's target price is \$1.

\*VAH: Virgin Australia reports for the year.

Analysts expectations: Neg \$165.1 mln/Neg \$167.1 mln/Neg \$171.3mln

\*On August 8 a leading broker retained a "reduce" on Virgin Australia, expecting its largest loss ever. The broker said the domestic capacity battle between VAH and QAN has taken its toll on both carriers. With VAH continuing to trade above what the broker believes to be fair fundamental valuation levels, it reiterates its Reduce. The broker added its full year 2014 normalised eps forecast declines from negative 5.2c to negative 5.9c as it factors in larger Tigerair Australia losses recorded in the 4th quarter. The broker expects VAH to trade down to more fundamental valuations in the next 12 months.

\*On July 16 a leading broker lowered its rating on Virgin to 'sell' from "neutral with a price target of 35c vs 36c previously.

The broker said it expects unrestricted cash will fall slightly in the 2nd half to \$550 **million**. However given Virgin's strategic shareholders continue to increase their ownership in the airline (now collectively accounting for 78% of shars on issue) the broker expects Virgin's funding position to be well supported in the event of any liquidity drain.

\*On July 8 a leading broker retained an "underweight" for Virgin and a 34c price target, saying it remains 33% below full year 2015 consensus EBITDA. Although VAH is taking domestic share from QAN, the broker said it questions the cost at which this is being achieved. The broker sees another **equity** raising as a key risk.

\*WOW: Woolworths reports for the year.

Analysts expectations: \$2.442 bln/\$2.502 bln/\$2.454.7 bln/\$2.444.8 bln/\$2.433.6 bln.

\*A leading broker on August 15 retained a "buy" on Woolworths with a \$39.20 price target after Woolworths reported its Home Improvement venture will not break even but will lose \$169 million of EBIT, worse than prior guidance for losses no greater than the \$139 million it lost last year.

The broker said after a tour of the new format Masters stores with MD Matt Tyson the broker said some sensible changes were being made to the Masters Store format, ranging from improving the offer in categories that drive traffic such as hardware, trade and garden, price perception - improving the value to the market to emphasise Masters prices are on par with other big box retailers including Bunnings, and making the store easier to navigate.

The broker said earlier not much has gone right for Masters, sales have been below expectations, GM's have been softer and costs have been higher. The broker added it was not new news - itself and the market had expected guidance to be downgraded.

The broker left its valuation unchanged at \$37.03 and its price target at \$39.20.

\*A leading broker on August 12 retained a "buy" on Woolworths while lowering its price target to \$37.65 from \$38.09.

The broker said the home improvement miss was disappointing, but already factored in by the market. Momentum in Australian food and liquor division is improving and closing the sales growth gap to Coles. Further CODB savings will support EBIT margin expansion.

\*Another leading broker on August 12 retained an "underweight" on Woolworths and a price target of \$31.

The broker said the Masters warning equates to \$35 million (WOW share \$23 million) or 0.6% of WOW group EBIT. Guidance has been re-affirmed, despite the weaker than expected performance which implies that other divisions, probably Food & Liquor has again picked up the slack. "Given the weaker Home Improvement outlook, we see increasing risk to 2015 profit guidance" the broker added.

\*Another leading broker retained a 'sell' on Woolworths on August 12 with a price target of \$32.14. the broker said of concern is that WOW's average annualised sales per store at Masters has declined in five of the last six quarters and currently sits some 10% below the level one year earlier.

**Company** guidance: On August 12 Woolworths Ltd in an update on its Home Improvement business said the losses on its Home Improvements business will exceed the losses in 2013, and is not expected to break even in 2016. WOW remains confident Home Improvement will become a material profit contributor for Woolworths and the rationale for entering the market remains compelling.

So far 49 Masters stores have been opened with Home Improvement sales of more than \$1.5 billion in 2014.

Lowe's has amended the terms of their put option and remains supportive.

Woolworths has recruited Matt Tyson, an outstanding home improvement retailer who said in the report the next stage of development will include a refocussed store rollout plan and an enhanced store format and range.

Total Home Improvements sales, including Masters and Home Timber and Hardware rose 23.2% or 25.7% normalised to \$1.527 billion from 2013.

Total EBIT was negative \$169 million, down 24.1% on negative \$138.9 million in 2013.

Woolworths expects to open fewer new stores in the next two years and will not deliver on the previously forecast target of 90 stores by the end of financial year 2016. Around 10/15 Masters stores will be opened per year for the next few years.

Ex div: AQF ex 3c; AVF ex 1c; AZJ ex 8.5c; CDF ex 13.5c; CGF ex 13.c; CIN ex 63c; CVO ex 7.2c; SAI ex 8.5c; SLM ex 7.5c; WES ex \$1.15.

Options assignments last night totalled a light \$1.5 billion last night.

On a 3 million share cut off:

\*AMP: 6.1 mln shares assigned, all against calls.

\*BHP: 7.5 mln shares assigned, 4.1 mln against puts, 800,000 against calls, 2.6 mln against LEPOS.

\*TLS: 20.9 mln shares assigned, 18 mln against calls ,0.8 mln against puts, 2.1 mln against LEPOS.

\*WBC: 4 mln shares assigned, 2.5 mln against calls, 200,000 against puts, 1.3mln against LEPOS.

#### Overseas

The DJIA closed down 42.44 points to 17,079.57.

S&P 500 fell 3.38 points to 1,996.74.

NASDAQ fell 11.93 points to 4,557.69.

US 10yr bond yields fell 24 points to 2.338%.

The US\$ fell 23 points to 103.68 Yen.

The Euro fell 13 points to 1.3182US c.

The Yuan rose 31 points to 6.1428/\$US1.

FTSE 100 closed down 24.86 points to 6,805.80.

The NikkeiDow last evening closed down 7.96 points to 15,459.86.

Shanghai SE Comp IX closed down 13.65 pointst o 2,195.82.

#### 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 \$94 to \$6,934/fell \$117 to \$A7411. Stockpiles rose 1,050 tonnes to 148,425 tonnes.

Aluminium fell \$6 to \$2,080/fell \$11 to \$A2223. Stockpiles fell 6,450 tonnes to 4,810,550 tonnes.

Nickel fell \$200 to \$18,650/fell \$257 to \$A19,934. Stockpiles rose 456 tonne sto 326,922 tonnes.

Zinc fell \$19 to \$2,341/fell \$26 to \$A2502. Stockpiles rose 3,075 tonnes to 735,875 tonnes.

**Lead** was down \$16 to \$2,248/fell \$22 to \$A2403. Stockpiles rose 3,475 tonnes to 220,625 tonnes.

Tin rose \$50 to \$21,800/gained \$4 to \$A23,301. Stockpiles fell 305 tonnes to 12,680 tonnes.

**Iron Ore** fell 90c to \$87.30/fell \$1.16 to \$A93.31.

WTI crude rose 67c to \$94.55/gained 50c to \$A101.06.

Brent Crude fell 26c to \$102.46/fell 51c to \$A109.51.

Spot **gold** rose \$6 to \$1,289/gained \$3.48 to \$A1378. Spot silver rose 6c to \$19.52/gained 2c to \$A20.86. Spot platinum was up \$8 to \$1,424/rose \$5 to \$A1522. Spot palladium gained \$5 to \$896/was up \$3 to \$A958.

#### Overseas eco news

In US eco news, jobless numbers for the week ending August 16 fell 1,000 to 298,000 in line with expectations.

\*Pending home sales rose 3.3% to 105.9 in July from June, the National Association of Realtors reported vs a 0.6% rise expected. Pending home sales have now risen for 4 of the last 5 months, although the index is 2.1% below its level from a year ago.

\*The US GDP rose at 4.2% for the second quarter from the first quarter to an annual rate of \$1.840 tr. Business spending on new equipment and buildings and stronger household spending on durable goods like automobiles helped the rise.

\*In the Eurozone business and confidence across the 18 nations fell to 100.6 in August from 102.1 in July when it had posted a surprising increase. Vs a fall to 101.5 expected.

\*The German CPI was flat in August, in line with expectations after a 0.3% rise in July.

\*The number of jobless people in Germany rose 2,000 in July vs a fall of 5,000 expected. The number of unemployed people for June was revised to a fall of 11,000 vs a previous 12,000 decline reported.

\*German GDP fell 0.6% at an annualised rate in the second quarter and was down 0.2% from the first quarter, vs an expansion expected.

\*The Confederation of British Industry reported realised sales rose to a six month high of 37 in August from a reading of 21 in July and vs expectations of a rise to 27.

Overseas **equity** news

\*In the US of the Dow 30 there were 12 stocks higher and 18 down.

Home Depot led the way higher, gaining 64c or 0.7% to \$92.51 followed by Du Pont and McDonalds.

Visa fell furthest, shedding \$2.53 or 1.17% to \$214.60 followed by Boeing and Nike.

Abercrombie & Fitch fell 4.84% after adjusted quarterly profit just topped expectations, but revenue missed. Apple rose 0.12% after confirming it will hold a special event on September 9. Ebay fell 0.88%, will virtually be half its size if it spins off online payment **company** PayPal, MarketWatch commented.

American International Group fell 0.77% after CEO Robert Benmosche 70, said he is stepping down after learning his cancer prognosis gives him only 9 months to a year to live. The CEO who had founded AIG came out of retirement in 2012 to help bring the **company** back from the brink.

\*In Europe, national benchmark indexes fell in 16 of the 18 western European markets.

Cooling systems engineer Hamon & Cie fell 17% to Euro 11.70, the largest fall since 2004 after announcing it will raise at least Euro 20 **million**.

French investment **firm** Wendel fell 6.8% to Euro 95.53 after reporting first half net income fell 78%. It has a majority **stake** in Bureau Veritas, the world's second largest provider of testing, inspection and certification which fell 7.3% to Euro 18.45.

Telecom Italia rose 1.3% to Euro 0.874 cents after Vivendi chose Telefonica to start exclusive talks on a **sale** of its Brazilian broadband unit.

Essilor rose 4.3% to Euro 79.48.

\*In the UK **Mining** shares pulled the index lower, with shares in Rio Tinto down 3.8% and Anglo American 3.5% lower.

Shares in broker Hargreaves Lansdown also suffered, falling 4.9% and helping to pull the FTSE 100 down 24.86 points, or 0.4%, to 6,805.80.

Paddy Power shares fell 1% after the bookmaker posted a 13% fall in profits.

The **firm** was hit by "punter friendly" outcomes in football and horse racing, which it said "proved costlier than John Cleese's divorce payments".

On the upside, supermarket Morrisons climbed 1.4% after Deutsche Bank raised its rating on the stock to "hold" from 'sell'.

There were some big moves in the FTSE 250, where shares in industrial inkjet **company** Xaar plunged 22% after it cut its forecast for annual revenues.

The **company** now expects revenues for the year to be between £115m and £125m, compared with an earlier forecast of £130m.

Ocado shares were down 16% after equities broker Redburn cuts its rating on the online grocer to 'sell' from 'buy' and halved its price target for the shares.

But shares in chipmaker CSR jumped 36% after the **firm** said it had rejected a bid approach from Microchip Technology.

In other news



\*Handelsblatt reports NATO has issued a report that more than 1000 Russian soldiers armed with heavy weapons are in eastern Ukraine. "We've found that "large quantities of advanced weapons, including air defense systems, tanks and armored vehicles were handed over to the separatists in eastern Ukraine," one NATO general told the Belgian Mons. Chancellor Angela Merkel announced on the evening, the European Union will advise the Summit on Saturday in Brussels on further sanctions against Russia.

"We want diplomatic solutions' Merkel said. "But we have to realize that things have complicated and worsened in recent days." The UN Security Council will meet on Thursday night to consider action on the escalating conflict in the Ukraine.

The President of Ukraine Petro Poroshenko has issued contradictory messages. Despite massive allegations of Kiev of a Russian military offensive in eastern Ukraine, Poroshenko said his country will organize joint patrols with Russian colleagues in the East. This had been discussed with Russian President Vladimir Putin at the recent meeting in Minsk.

NATO published in Mons satellite images to prove their assessment. For weeks the Ukraine accuses the neighbors to intervene militarily in the conflict. This had always been denied by Moscow. Russia is not interested in sending troops, the Russian OSCE Representative Andrei Kelin said in Vienna.

UN Secretary General Ban Ki Moon has said the international community must not allow the situation to continue to escalate.

\*BBC News reports Islamic State (IS) militants appear to have killed "dozens" of Syrian soldiers captured after gaining control of the Tabqa airbase, activists say, BBC News reported.

Forty-three UN peacekeepers are being held by an armed group in the Syrian Golan Heights, amid heavy fighting between rebels and the army.

\*BBC News reports the UN's health agency says the deadly Ebola outbreak in West Africa could infect more than 20,000 people, and urges airlines to resume flights.

Washing hands regularly with ordinary soap and water and drying them on a clean towel, avoiding touching another person, not even to shake hands, is essential. Victims must not be touched, nor their clothing, and all their clothes, bedclothes, mattresses etc must be burnt. The disease spreads from bodily fluids. The virus is thought to have spread from a single funeral - for a native healer.

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