

HD MARKET EXPECTED TO CLOSE MILDLY LOWER

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WC 2,227 words

PD 8 January 2014

SN OzEquities News Bites

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

Europe closed mixed, the UK market was down, the US markets were mixed.

On the NYSE where 3195 issues traded there were 1,352 issues higher, 1,726 down and 117 unchanged. On Nasdaq where 2689 issues traded there were 1,237 issues higher, 1,341 down and 111 unchanged.

Metals were weaker, crude fell, **gold** was down. The \$A is at 89.12 US c, down about 15 points from last evening.

"Down 10 today - break of next support level at 5300 would be quite bearish"

Ben Faulkner, a senior adviser at Morgans said, "Our market closed right on support yesterday, with the next support level at 5300. A break of 5300 would be quite bearish in the short term. Resources are continuing to under perform.

"I'll call it down 10 points today - we have already factored in some of the sell off on the Dow last night".

The S&P/ASX200 closed down 1 point to 5316 last evening.

January 9. Good morning.

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 was steady on 53,000 shares, Rio fell 3p on 1.8m shares, BHP fell 7p on 1.6m shares, News fell 6c on 630,000 shares, Fox fell 137c on 1.5m shares, Westpac rose 1c on 109,000 shares, Telstra rose 1c on 275,000 shares, Resmed gained 6c on 9.3m shares.

PSivida rose 7c on 106,000 shares, Prana was steady on 3.3m shares.

In London Anglo American fell 7.34p to 1,269.16p on 2.9m shares, Aquarius fell 0.25p to 39.25p on 275,996 shares, BSKyB rose 2.5p to 843p on 1.9m shares, BHP fell 17.5p to 1,811p on 5.12m shares, Henderson fell 2.9p to 229.5p; on 1.78m shares, RIO fell 25p to 3,190p on 4.38m shares.

Trading points:

*Superannuation benefit payouts rose to a record \$75 **billion** last year, as baby boomers drew down their savings to fund their retirement, APRA reported in its annual report.

While total super contributions fell 2% to \$115.3 **billion** in the 12 months to June last year, withdrawals rose 4.6% to \$74.5 **billion**.

Total assets in the sector rose to a record \$1.6 trillion at June 30 2013, up \$219 **billion** from the year before.

Rising super payouts, a trend likely to accelerate as the population ages, are expected to put pressure on super funds to maintain sufficient levels of assets that can be readily **sold**.

*FSF/Other: Danone to sue Fonterra over whey scare - Sky News

Sky News reports Danone, the world's biggest yoghurt maker, has launched legal proceedings against Fonterra over last year's whey protein concentrate recall and ended its existing supply contract with the New Zealand **dairy** exporter.

The Paris-based food processing **company** is initiating proceedings in the New Zealand High Court and arbitration proceedings in Singapore 'to bring all facts to light and to obtain compensation for the harm it has suffered,' it said in a statement.

Danone put the cost of last year's WPC 80 recall at 350 **million** euros (\$NZ575.33m, \$A539.99m) when it announced its third-quarter results, while Auckland-based Fonterra recognised a contingent liability of just \$14m in its own accounts.

Last August, Fonterra quarantined several batches of whey protein concentrate amid fears it was contaminated with a potentially dangerous form of the clostridium bacteria.

The whey protein was ultimately cleared as a false alarm.

Danone will also terminate existing supply contract with Fonterra and make 'any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied,' it said.

Of the eight customers affected by Fonterra's recall, the New Zealand **company** agreed to a commercial outcome with all of them except Danone, including extending supply contracts for the next 10 years and agreeing to volume increases.

In December, Fonterra chief executive Theo Spierings said he expected any court action would show the New Zealand **company** has no liability in its contract, Sky News reported.

Overseas

The DJIA closed down 68.20 points to 16,462.74 points.

S&P 500 closed down 0.39 points to 1837.49.

NASDAQ rose 12.43 points to 4165.61.

US 10yr bond yields rose 5 points to 3%.

The US\$ rose 21 points to 104.75 Yen.

The Euro fell 35 points to 1.3581US c.

The Yuan fell 1 point to 6.0514/\$US1.

FTSE 100 closed down 33.67 points to 6721.78. European markets closed mixed.

The Nikkei Dow last evening closed up 307.08 points to 16,121.45.

Shanghai SE Comp IX closed down 2.98 points to 2044.34.

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 \$7 to \$7,344/fell 42 to \$A8241. Stockpiles fell 1,400 tonnes to 351,675 tonnes.

FastMarkets reported Indonesia has proposed an easing of its export ban, instead allowing companies to continue to export concentrate until 2017 as long as minimum purity requirements are met at 15%, Bloomberg reported, quoted by FastMarkets.

Freeport-McMoRan **Copper** & **Gold** is seen as a major beneficiary.

Aluminium fell \$8 to \$1,777/fell \$8 to \$A1994. Stockpiles fell 1,725 tonnes to 5,449,825 tonnes.

Nickel fell \$15 to \$13,500/fell \$7 to \$A15,148. Stockpiles fell 114 tonnes to 260,610 tonnes.

Zinc fell \$13 to \$2,029/fell \$13 to \$A2277. Stockpiles fell 4,100 tonnes to 914,225 tonnes.

Lead fell \$17 to \$2,139/fell \$17 to \$A2400. Stockpiles fell 500 tonnes to 214,000 tonnes.

Tin rose \$195 to \$21,995/rose \$23 to \$A24,680. Stockpiles fell 165 tonnes to 9,560 tonnes.

Iron Ore fell \$2.30 to \$131.50/fell \$2.48 to \$A147.55.

Steel billet was indicated at \$280/325.

Cobalt last traded at \$27,000 before closing at \$26,500/27,500.

Molybdenum closed at \$21,000/22,000.

WTI crude fell \$1.34 to \$92.33/fell \$1.43 to \$A103.60.

Brent Crude fell 20c to \$107.15/fell 14c to \$A120.23.

The US **Energy** Information Administration reported crude supplies fell by 2.7 **million** barrels for the week ended January 3 vs a fall of 3.3 **million** barrels expected.

Spot **gold** fell \$7 to \$1,225/fell \$6.92 to \$A1375. Spot silver fell 33c to \$19.56/fell 36c to \$A21.95. Spot platinum rose \$3 to \$1,417/gained \$4 to \$A1590. Spot palladium fell \$5 to \$736/fell \$5 to \$A826.

Overseas eco news

In US eco news, Minutes of the FOMC meeting revealed most members agreed that the cumulative improvement in labor market conditions and the likelihood that the improvement would be sustained indicated that the Committee could appropriately begin to slow the pace of its asset purchases.

However, the decision was not as unanimous as earlier thought.

*US MBA mortgage applications rose 2.6% in the week ended January 3, the Mortgage Bankers Association's index revealed. For the week ended December 27, the index decreased 4.2% to the lowest level since December 2000.

The gauge of **purchase** applications fell 0.5% after rising 2.4% the week before. The measure of refinancing climbed 4.6% after falling 8.9% for the previous week.

The average rate on a 30 year fixed loan held at 4.72%, the highest level since September 13. The average rate on a 15 year mortgage rose to 3.77%, also the highest since September 13, up from 3.73% the week before.

*Automatic Data Processing announced in December private sector employment increased by 238,000 workers in December vs a rise of 200,000 expected and was up from 229,000 in November.

The Federal Reserve reported consumer credit grew at a seasonally adjusted annual rate of 4.8% in November, up \$12.32 **billion**, the smallest percentage gain since April. Non revolving credit like auto and student loans grew 6.4%, the slowest rate of growth since May.

*Germany's trade surplus in November rose to Euro 93.2 **billion** in November up from 92.9 **billion** in October, the Federal Statistics Office Destatis reported.

Imports fell 1.1% to Euro 75.4 **billion**.

Exports to the Euro area rose 0.1% vs the previous November while exports to the EU as a whole rose 1.8%. Exports to the rest of the world were unchanged.

*The German trade balance at Euro 17.8 **billion** was below Euro 18.9 **billion** forecast by analysts.

*The EU unemployment rate came in as expected at 12.1%.

*Euro retail sales rose 1.4%, vs up 0.2% expected in November from October. The rebound was the biggest monthly increase in 12 years .

Month-on-month sales rose 1.4 percent, compared with falls of 0.6 percent and 0.4 percent in September and October.

Retail sales rose strongly in the bloc's two largest economies, Germany and France, by 1.5 and 2.1 percent respectively.

*In the UK, the British Retail Consortium said shop prices fell 0.8% in December falling for the eighth consecutive month and vs a contraction of 0.4% expected following a 0.3% fall in November.

Reuters added although Britain's economy grew strongly in the first nine months of 2013 wages have stagnated and households have had to fund higher spending by reducing their savings.

Overseas **equity** news

*In the US of the Dow 30 there were 9 stocks higher and 21 down.

Du Pont led the way higher, gaining 80c or 1.28% to \$63.13 followed by Home Depot and Visa.

Microsoft led the way down, shedding 69c or 1.9% to \$35.72 followed by Chevron and Walt Disney.

Container Store fell 15% intra day after yesterday reporting a loss for its first quarter as a public **company**.

Forest Laboratories rose 16% intra day after reporting it would **acquire** Aptalis, a specialty pharmaceutical **company** for \$2.9 **billion** in cash.

Constellation Brands rose 8.3% after the beverage **company b** beat its third quarter earnings target and raised its outlook.

JC Penney fell 8.1% intra day after saying it is pleased with its performance but provided no further details, MarketWatch reported.

*In Europe, national **equity** benchmarks rose in 11 of the 18 western European markets. The banks index rose to its highest level since April 2011 as yields fell for benchmark debt in Greece and Spain. Banco Popular Espanol rose 8.9% to Euro 5.40, BNP Paribas rose 1.4% to Euro 58.19, the highest price since February 2011.

SAP rose 1.7% to Euro 62.55 on a broker's upgrade.

Danone was down 1.25% to Euro 51.17, also announced it was suing Fonterra for the whey scare (in 'trading points' above).

On the DAX, K+S rose 5.45% to Euro 23.14, Commerzbank gained 3.5% to Euro 12.85, Lufthansa was up 2.34% to Euro 15.97 and Deutsche Bank rose 2% to Euro 36.27.

RWE was the biggest weakener, shedding 2.07% to Euro 25.12.

Akzo Nobel fell 2.7% after the Dutch painting and chemicals **company** said it will continue to cut costs in 2014. Air France rose 7.3% after reporting a rise in passenger traffic of 2.15.

*In the UK, Aveva **Group** rose 6.5% to 2,261p, the largest increase in about six months on a broker's upgrade for the computer software maker.

Sainsbury fell 2.4% to 3760p after the CFO reduced same store sales forecasts for the year to less than 1%. Tesco fell 1% to 328.3p in tandem.

Tate & Lyle fell 3.4% to 773p after a trade paper suggested 2014 corn sweetener contracts had suffered a price collapse last month, the Financial Times reported.

Imagination Technologies fell 3.5% to 168.9p after MediaTek announced a smart TV chip running Arm Holdings' rival graphics technology. ARM rose 12p to 1,067p.

In other news

*US banks sales of the so called Collateralised Loan Obligations (CLOs) reached \$1 **billion** in the week ended December 20, Wells Fargo & Co and Royal Bank of Scotland **Group** Plc reported, double the typical weekly volume. This is ahead of the VolckerRule that takes effect next year.

Investor demand for CLOs is strong. CLO issuance hit \$82 **billion** last year, the most since the market's 2007 peak, RBS reported, the Dow Jones news service reported. Some 30 US banks hold about 70 **billion** of CLO debt securities.

*The South **China** Morning Post reported **China**'s National Health and Family Planning Commission has begun work on new rules to ban smoking in public places. Imperial Tobacco **Group** fell 2.9% to 2,247p last night in the UK.

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