

HD **QBE's North American 'Upheaval' -- Market Talk**

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2239 GMT [Dow Jones] QBE Insurance's (QBE.AU) investor briefing on its North American **operations** highlights a division undergoing significant upheaval in an effort to try and improve its sub-par performance, J.P. Morgan says. The **company's** target for the division by itself likely isn't enough to get investors excited about its prospects, the brokerage says, adding there is still possible upside for QBE from macro factors such as the outlook for interest rates plus a relatively cheap valuation. It maintains an overweight recommendation and A\$12/share target. QBE last traded at A\$11.03. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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18:30 EDT - Downer EDI's (DOW.AU) **M&A** activity may not end with its A\$300M **purchase** of closely held Tenix, says RBC Capital Markets. The broker notes that fiscal 2015 gearing is likely to be around 10%, giving it the flexibility for more deals. "We estimate that another similar-sized **acquisition** is within Downer's capability or alternatively it may want to keep balance sheet capacity for a large contract win in contract **mining** or other alternatives, if they present," says RBC. "With the stock down 15% since the 21st August and the **acquisition** catalyst now delivered, we recommend buying Downer on an expectation that it is likely to continue to rally," RBC says. DOW last traded at A\$4.19. (david.winning@wsj.com; @dwinningWSJ)

18:27 EDT - Ferrovial (FER.MC) could go hostile with its bid for Transfield (TSE.AU), says RBC Capital Markets. Transfield yesterday rejected Ferrovial's A\$1.95/share offer but said it would open up its books in the hope of attracting a sweetener from the Spanish **company**. The offer, which values Transfield at around A\$1B (US\$878M), was pitched at a 30% premium to the shares' closing price Friday of A\$1.50. "Whilst the chance of a higher offer exists, we feel existing shareholders would accept if the offer went hostile," RBC says, lifting its price target on Transfield to A\$1.95 from A\$1.30. There's also potential for a rival bid--more likely from another offshore player--the brokers says, but adds Transfield remains "high risk" with relatively heavy debt levels. (Ross.Kelly@wsj.com)

18:24 EDT - Development risks are rising at Goodman Group (GMG.AU), with more speculative projects and greater reliance on new markets, says JPMorgan after spending last week visiting GMG's **operations** in Sydney, Melbourne and Auckland. **Firm** keeps an underweight rating and A\$5.42 price target, versus A\$5.36 recent trade. "We aren't concerned with GMG's near-term earnings; development leasing should see GMG FY15 EPS growth ahead of its 6% target. However we believe its 6% per annum through-the-cycle target is priced." (rebecca.thurlow@wsj.com; @beckthurlow)

18:22 EDT - There are a number of tailwinds for Perpetual (PPT.AU) and a clear path to near-term earnings growth, but JPMorgan says it still prefers fellow listed fund manager Magellan Financial (MFG.AU). The broker retains a neutral stance on PPT and A\$49.31/share target. PPT's 1Q funds under management highlighted positive flows for the **company**, but JPMorgan says that was largely driven by money moving into cash and fixed income. It adds the establishment of a new global equities fund is a positive step. PPT last traded at A\$43.66. (robb.stewart@wsj.com; @RobbMStewart)

18:21 EDT - Australia's equities market is on track for a sixth straight gain, although there remains some nervousness among investors. IG forecasts an opening rise of 17 points to about 5336 for the S&P/ASX 200, although it adds **Chinese** GDP data and weakness in the London-traded shares of local heavyweights Rio Tinto (RIO.AU) and BHP Billiton (BHP.AU) may drag on the market. "With the full-year numbers from the banks a week away, banks should remain supported," IG market strategist Evan Lucas says. Shares in the big banks have steadily been recovering in recent days from heavy selling.

Newcrest (NCM.AU) will be in focus after releasing quarterly production figures, while Bradken (BKN.AU) and Southern Cross Media (SXL.AU) are both set to stage annual general meetings. The ASX 200 rose 0.9% to 5319.4 Monday. (robb.stewart@wsj.com; @RobbMStewart)

18:19 EDT - Just call Microsoft (MSFT) CEO Satya Nadella the \$84M man. The **company** for the first time today valued Nadella's compensation for the year ended June 30, his first in the CEO chair, and it was \$84.3M. The biggest chunk was a long-term stock grant, valued at \$59.2M, based on how MSFT's shares perform versus other companies in the S&P-500 index over five years. He won't receive any of those shares until 2019. MSFT also says Nadella received a stock retention payment valued at \$13.5M as MSFT's board sought to keep executives from jumping ship when Steve Ballmer announced his retirement in August. MSFT previously disclosed elements of Nadella's pay, but not the whole kit and kaboodle. (shira.ovide@wsj.com; @ShiraOvide)

18:17 EDT - Wood MacKenzie, an **energy** consulting **firm**, says despite new environmental rules in **China**, **coal** will continue to dominate as a power plant fuel. As new air emission regulations go into effect, **China** will need more natural gas and **coal**'s role in electricity production will drop to 64% of the fuel mix, down from 72%. But overall **energy** demand in **China** is growing, so "in absolute terms, this translates to **coal** demand increasing by just over two **billion** tonnes from now until then," the report says. "Tackling chronic air pollution is a clear government priority but not the only one," writes analyst David Brown. Economic growth, **energy** security and low cost power sources remain paramount. **Chinese** policy has evolved during 2014 to focus on emissions control rather than a mass fuel switch to cleaner burning gas, Brown says. (lynn.cook@wsj.com; @LynnJCook)

18:05 EDT - Facing a deadline of Monday, the Environmental Protection Agency asked--and a D.C. Circuit court granted--its request to wait until Nov. 3 to file its brief in response to a lawsuit brought by Murray **Energy** challenging the agency's proposed rule cutting carbon emissions from hundreds of **coal**-fired power plants. Observers on both sides of this fight were surprised the court even agreed to receive briefs on the case, but it won't be clear for a few weeks whether the court will hear oral arguments or whether Murray **Energy** will be successful. This slight delay means any public news on it will definitely come after the midterm elections, which are Nov. 4. (amy.harder@wsj.com; @AmyAHarder)

17:52 EDT - Competition in McDonald's (MCD) domestic market has been intense, with traditional rivals such as Taco Bell and Burger King (BKW) upping their game and Chick-fil-A expanding. Offers of fresh food has lured some of MCD's core late-teen to mid-30s customers away, while a bloated menu that slowed service also has hurt the chain. Same-store sales in the US have been falling, and analysts are expecting a decline of nearly 3% for the quarter and 2.8% for September. (julie.jargon@wsj.com)

17:50 EDT - McDonald's (MCD) has been struggling to regain consumer confidence across Asia after **Chinese** authorities accused a **Chinese** supplier this summer of intentionally selling expired meat to MCD and other fast-food outlets. The fast food chain has said that scandal is expected to cut its 3Q profit by about 15-20 cents a share from a year ago. Earnings results for the quarter are due Tuesday morning. Analysts expect net income of \$1.37 a share. The Street also sees sagging Asia/Pacific and Middle East and Africa sales to bring down global same-store sales for the quarter by 3%. (julie.jargon@wsj.com)

17:47 EDT - Now we know which executives Microsoft's (MSFT) board didn't want to jump ship. After Steve Ballmer announced his retirement last August, MSFT's board doled out "retention" stock grants to prevent important executives from leaving. MSFT didn't say at the time who got the grants, or how much. In a filing today, MSFT named names. The biggest payout to top executives went to...Satya Nadella, picked as Ballmer's successor in February. His stock award was valued at \$13.5M at the time of the grant. Kevin Turner, the COO and sales chief, was No. 2 with a retention grant valued at \$10.1M. (shira.ovide@wsj.com; @ShiraOvide)

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