

HD MARKET PLUNGES ON HUGE VOLUME AS ASIAN MARKETS FALL

BY Jenny Prabhu

WC 4,331 words

PD 20 March 2014

SN OzEquities News Bites

SC NBOZEN

LA English

CY Copyright 2014 News Bites Pty Ltd. All rights reserved.

LP

AUSTRALIAN **COMPANY** NEWS BITES

OZEQUITIES NEWS BITES

TD

The S&P/ASX200 closed down 61.6 points to 5294, a level last seen on February 12, on giant volume worth \$7 **billion** - a significant amount would be related to adjustments on the March SPI close today with the June SPI becoming the active index. There were 331 stocks higher and 629 down. Aussie 10 year bond yields were 4 points higher to 4.12%. The \$A is at 90.06, shedding a little over 1US c since last evening.

*The banks contributed 14.5 negative points to the index, insurers contributed 1.5 negative points, resources contributed 10.8 negative points, **property** trusts contributed 0.3 negative points, retailers contributed 4.6 negative points and Telstra contributed 2 negative points.

*At 4pm AEST the Nikkei Dow futures was down 250 points to 14,170 points, Shanghai CSI physical was up 7.12 points to 2028.85, Hang Seng futures were down 247 points to 21,286 points, S&P futures was down 3.3 points to 1848.90, Nasdaq futures fell 6.75 points to 3667.5, Dow futures fell 25 points to 16,114 points.

Spot **gold** is up \$5 to \$1334. Crude is up 33c to \$100.70.

While a low \$A vs the US\$ boosts the competitiveness of almost all Australian industries from tourism to manufacture and **mining** (ironically a weak \$A vs the US\$ may have prevented the car makers leaving Australia), if emerging markets weaken sharply on the flow back of funds to the US on expectations of a higher interest rate, Australia would weaken along with Asia, as we did in the Asian crisis of the late 1990's - with Asian markets also a major outlet for manufactures by both **China** and Japan.

*The volume indicates likelihood that overseas money was being withdrawn from our market.

*Also, the Japan financial year ends in 10 days time.

*Sharp sell offs are 'stand aside events' except for traders. Investors with medium to long term views may prefer to wait until the market settles.

"I will call the market down 30 points"

Ben Faulkner, a senior adviser at Morgans said, "The Dow had a volatile night, trading in a large range, with a low of 16,126, rallying at the close to about 100 points off its lows.

"The S&P 500 had about a 25 point range last night. The 1850 level of support was tested last night - it was always going to be good support.

"Even though it had a down night the S&P 500 still closed above the 20 day moving average which is sitting at 1858. It is at a pivotal point here. Any break and close below the 20 day moving average would be pretty bearish again, given that it has not tested the new highs for a week. If 1858 breaks on the week it is probably going to enter another short term downtrend.

"Gold got hammered for the third night. Interestingly, gold is sitting right on the very bottom of the uptrend line that began in December/January. Any break and close below 1329 for the week could be pretty bearish.

"Support is now at \$1295 on gold.

"Interestingly copper had a small upside move, up about 3/4c and is now looking as if it may test the \$3/lob level, a key level of resistance.

"The \$A is in no man's land at the moment. It probably has downward pressure if the bond markets in the US continue to get sold off.

"The XJO had no real technical moves yesterday although it was good it closed above 5350. It is obviously going to fall below that today. Support is now at 5330 and below that on 5315.

"A break of 5315 today or tomorrow will see us enter into a downtrend which will be pretty bearish given we have had an inverse head and shoulders last week and given we have not been able to break back above the 20 day moving average as the S&P500 has done. Our XJO chart is a lot more bearish than the S&P's.

"The 5330 and 5315 chart levels are critical.

"I will call the market down 30 points'.

The S&P/ASX200 closed up 11 points to 5355.6 last evening.

TOP STOCKS

All 20 of the Top 20 stocks were weaker.

*Australand rose 6c to \$4.04 on 23.3 million shares on speculation that Stockland would make a full bid. Stockland was steady at \$3.75 on 17.5 million shares.

*Myer was down 14c to \$2.52 on 9.4m shares after its profit result which came in slightly below expectations.

*Cabcharge rose 11c to 44.31 on 625,532 shares.

*G8 Educate rose 6c to \$4.54 on 2.5m shares.

Among the financials, AMP fell 9c to \$4.85 on 14.9m shares, ANZ fell 31c to \$32.12 on 10.18m shares, CBA shed 48c to \$74.97 on 5.5m shares, NAB fell 10c to \$34.41 on 8.5m shares, Westpac shed 51c to \$33.24 on 13.4m shares.

Among the TMT's Telstra fell 4c to \$4.99 on 48.33m shares, Telecom NZ shed 3c to \$2.25 on 2.9m shares, SingTel was down 1c to \$3.06 on 2m shares.

Among the resources BHP closed down 66c to \$35.20 on 12m shares, RIO fell 56c to \$60.80 on 2.6m shares, Fortescue fell 9c to \$4.90 on 23.49m shares, BCI fell 10c to \$4.77 on 1m shares, Atlas fell a half cent to 92.5c on 11.6m shares. OZL fell 4c to \$3.27 on 2.4m shares, Iluka was down 17c to \$9.52 on 3m shares.

Among the oils, Woodside fell 43c to \$37.81 on 2.48m shares, Santos fell 18c to \$13.11 on 4.5m shares, Oil Search fell 5c to \$8.57 on 8.25m shares, Karoon fell 12c to \$2.56 on 1.6m shares. AWE fell 2.5c to \$1.43 on 2.6m shares.

Among the golds, Newcrest fell 91c to \$10.61 on 10.65m shares, Oceana fell 5c to \$2.81 on 23.4m shares (very low cost producer), Medusa was down 18c to \$2.20 on 2.8m shares, Alacer fell 35c to \$3.15 on 1.29m shares.

AT THE SMALLER END

*AWI closed up 3c to 32c on 1m shares on the report below.

*QRXPharma rose 4.5c to 87.5c on 270,102 shares - New PDUFA date is May 25, chances are very good that its MOXDuo will be accepted by the FDA - already widely used in Australia and several other countries.

*Intrepid rose .5c to 25.5c on 563,061 shares with the **company** to exit Tujuh Bukit seemingly fully recompensed via the payment of \$US50 **million** - shareholder meeting to consider future for total \$US160 **million** cash holding.

NEWS OF THE DAY

Reserve bank of India permits 3 more banks to import **gold**

Reuters India reports India has allowed five domestic private sector banks to import **gold**.

India's central bank has allowed **gold** imports by HDFC Bank, Axis Bank, Kotak Mahindra Bank, IndusInd Bank and Yes Bank, officials at the respective banks told Reuters.

India enforced the so-called 80/20 rule in July, making it mandatory to export a fifth of all **gold** imports. Under that rule, only six banks and three state-run trading agencies that had facilitated export of **gold** or jewellery in the past three years were allowed to import. The six banks were mostly state-run lenders.

The Reserve Bank of India - the central bank - has now permitted **gold** imports within prescribed limits by the private banks even though they had not facilitated any exports of metal or jewellery in the past three years.

Ukraine troops exiting the Crimea

*Ukraine ordered the removal of its military from the Crimea and said it will strengthen its deployments on the country's border with Russia.

Our Darvas System related Special Report is on Mermaid Marine Australia Ltd today, posted separately.

Ex div: PFG ex .4c, TRS ex 21.5c

LARGE CAP INDUSTRIALS

*AIA/QAN/AIZ: Jetstar to pull Auckland-Singapore services

Auckland International Ltd announced it is disappointed by Jetstar's decision to suspend its Auckland-Singapore services from July 21.

Jetstar started flying the route three years ago and announced it was suspending the route because the service was not performing as it would have liked, and its capacity could be better put to use on other routes.

AIA general manager Glenn Wedlock said in the report the cost of the announcement to the New Zealand tourism industry is over \$NZ70 **million** per year. Auckland Airport is actively working to replace the value.

He said the Jetstar announcement confirms the concerns expressed to New Zealand's Minister of Transport, that the proposed alliance between Singapore Airlines and Air New Zealand could have detrimental impact on the growth and promotion of competition in international air services.

Market Cap \$4.9b. / \$2.36b. / \$1.95b.

AIA down 2 cents to \$3.70/QAN down 1.5 cents to \$1.075 /AIZ up 2.5 cents to \$1.75

*APE: To acquire Ian Boettcher car dealership in Ipswich

AP Eagers Ltd announced it has agreed to acquire the car dealership **operations** of the Ian Boettcher **Group** located in Ipswich, Queensland. Completion is expected in July 2014.

Ian Boettcher Motors represents Mazda, Nissan, Volkswagen, Suzuki and Proton from modern well located dealership facilities in the Ipswich region of south east Queensland.

The dealerships being acquired have annual turnover of approximately \$150 **million**, employ 135 staff and sell around 4,400 new and used vehicles per annum.

Market Cap \$928m.

APE up 10 cents to \$5.25

*BXB: Not in current discussions with Goodpack of Singapore

Brambles Ltd announced it noted Goodpack Ltd of Singapore's statement that it is ongoing discussions with parties that have approached Goodpack in relation to a possible **transaction**.

Brambles said on several occasions including the recent past it has engaged in preliminary discussions about a possible **transaction** with Goodpack. However the discussions did not progress and Brambles is not currently in active discussions with Goodpack.

Market Cap \$14.6b

BXB down 19 cents to \$9.36

*MYR: Int down 8.1%, 9c ff div, no DRP, cautious s/term, longer term positive

Myer Holdings Ltd for the half year ended January 25 2014 announced a net profit down 8.1% to \$80.770 **million** on revenue up 0.3% to \$1.737 **billion**.

A 9c fully franked interim dividend was announced, record date March 31.

NTA backing per security is 1c vs 6c for the previous corresponding period (pcp).

Basic eps is 13.8c vs 15.1c for the pcp.

Diluted eps is 13.7c vs 15c for the pcp.

Cash in hand \$76.3 **million** vs \$179.7 **million** for the pcp.

CEO Bernie Brookes said in the report good progress had once again been made with the **company's** five point plan. Positive comparable store sales growth achieve in the first quarter continued into the 2nd quarter. The second quarter was characterised by weak trading during November and the first half of December but with significant improvement immediately prior to Christmas and a very strong Stocktake **Sale**.

Operating gross profit margin fell 21 basis points to 41% from 41.21% for the pcp. While there were positive impacts from the growth of Myer Exclusive Brands, there were three key reasons for the decline in margin. The first was the strength of the Stocktake **sale** and the second was the impact of the change in the overall mix due to the increase in concession sales. The third was a strong response to loyalty initiatives such as MYER one bonus point promotions and bounce back offers used extensively during the Stocktake **Sale**.

Outlook

Given continued pressure on discretionary income and uncertain consumer sentiment, the CEO said the **company** remains cautious about the trading environment for the remainder of the year.

Second half sales are expected to benefit from the completion of the refurbishment of the Adelaide store in May 2014 and the Indooroopilly store refurbishment expected to finish in June 2014. Also the Melbourne City store is expected to benefit from the opening of 7,000 sq **m** of new space within the Emporium development adjoining the store from May 2014.

For 2015 and beyond Myer expects to benefit from a number of strategic initiative including the opening of new stores at Joondalup in WA and Mount Gravatt in Qld in the first quarter of 2015, completion of major refurbishment, growth in Myer Exclusive Brands and the online business.

Cost growth headwinds are also expected to moderate.

Analysts expectations: \$68.6 mln, div 9.5c.

Analyst after Myer's interim report: Expects consensus EBIT downgrades

A leading broker retained an "equal weight" on Myer, saying the result was strong with profits 5/6% ahead of its expectations with like for like sales growth higher, gross margins lower but cost growth of just 2.2% was far lower than the broker's forecast.

"MYR had guided to 4/5% cost growth for the 2014 full year which includes a higher skew of one off costs in the first half, hence the lower cost growth is a surprise".

The broker added gross margins were weaker than expected.

It expects consensus downgrades with Myer's current EBIT of around \$174 **million** below consensus EBIT of \$A194 **million** with the broker at EBIT of \$A192 **million**.

Market Cap \$1.5b.

MYR down 14 cents to \$2.52

*TOL: Sells subsidiary of Toll Express Japan for \$A19.5m, \$4m profit

Japanese Toll Holdings Ltd announced the **sale** of a subsidiary of Toll Express Japan, KSU Logistics to logistics and construction **company** Konoike Corporation for 1.8 **billion** Yen (\$A19.5 **million**).

KSU Logistics is the 3PL logistics arm of TXJ's KSU entity and is involved in a range of sectors including domestic pick up and delivery, air and rail logistics.

The **sale** is expected, subject to exchange rate movements, to generate a one off gain for Toll of approximately \$4 **million**. toll will retain the core express freight arm of its KSU entity.

The **sale** will free up cash through the reduction of capital employed in Toll Express Japan and it will allow management to focus human and financial resources on improving the core express business, managing director Brian Kruger said in the report.

Around 600 employees are expected to transfer to Konoike Corporation as well as 3 freehold and 28 lease properties.

The **sale** is expected to be completed on May 1. (Mar 19)

Market Cap \$3.7b.

TOL down 10 cents to \$5.15

MID TO SMALL INDUSTRIALS

*AFA: Acquires two properties with tenements in Tasmania and Qld

ASF **Group** Ltd, a facilitator of two-way cross border investments, trade and funds management between **China** and Australia, advised it has **sold** three wholly owned subsidiaries that held four tenements in Queensland and Tasmania to Profit Achieve Holdings Ltd.

Two companies, Austin Resources Pty Ltd and ASF **Copper** Pty Ltd hold two tenements, EL23/2011 and EL44/201 in Tasmania, prospective for base metals.

AFA is to presumably reacquire Austin Resources Pty Ltd and ASF **Copper** Pty Ltd for \$A300,000 to expand AFA's tenement base. AFA currently has a portfolio of tenements in WA, Queensland, Victoria and Tasmania.

AFA is a creator and facilitator of two way cross border investments, trade and funds management between **China** and Australia.

Market Cap \$78m.

AFA down 5.5 to 17.5 cents

*AWI: Acquiring Intelligent Investor Publishing for \$6.9 **million**

Australian Wealth Investments Ltd announced it has entered into a binding share **sale** agreement to acquire 100% of Intelligent Investor Publishing, a subscription based stock research business for \$4.6 **million** in cash on completion and a further \$2.3 **million** at December 31 2014.

Intelligent Investor Publishing has around 5,400 customers and an email list of more than 260,000. Its pro forma revenues are \$3.4 **million** and its pre tax annualise earnings are expected to be \$1million.

Together with its existing investments in InvestSmart and YourShare AWI now has over 500,000 prospective online customers, around 45,700 accounts and more than \$1.7 **billion** in Funds Under Administration. The **acquisition** does not include Intelligent Investor Funds Management which will continue under the leadership of Steve Johnson. The two businesses will however continue to work closely together.

Market Cap \$39m.

AWI up 3 to 32 cents

*CRH: Receives statement of intentions from Anchorage Capital Partners

Crowe Horwath Ltd (formerly WHK **Group**) announced in response to recent media speculation about an approach from private **equity firm** Anchorage Capital Partners Pty Ltd, on the afternoon of March 19 it received a non binding, indicative and highly conditional privatisation proposal from Anchorage. The proposal is expressed as a statement of current intentions only.

The Crowe Horwath **Board** has not yet had an opportunity to consider the proposal and will update the market in due course.

Market Cap \$93m.

CRH up 1.5 to 34 cents

*DMY: Acquiring cloud computer co/raising \$400,000 at a half cent +options

Dromana **Estate** Ltd announced it is to acquire Australian Wholesale Cloud Computing Provider Cloud Central Pty Ltd, an emerging **company** with over 200 active customer accounts in Australia and four cloud data presences in Australian Tier-III secure data facilities located in Canberra (2), Sydney and Melbourne with excess capacity to grow revenue.

Dromana is undertaking a pre **acquisition** placement of \$400,000 at a half cent per share with options on a 1 for 2 basis exercisable at 1c.

Market Cap \$1.8m. DMY up 0.3 to 1.2 cents

*TAN: U/written 3 for 8 offer at 47c to **buy** water rights and land assets

Tandou Ltd announced an underwritten non renounceable pro rata entitlement offer of up to approximately 53,686,421 new fully paid shares on a 3 for 8 basis at 47c per share to raise up to approximately \$25.2 **million**. The offer is fully underwritten to \$25.2 **million**.

Funds raised will be applied to pay down the debt related to the recent **acquisition** of 34,585 megalitres of water entitlements together with the Bundygoola (formerly South Farm) land assets.

Market Cap \$70m.

TAN down 3 to 49 cents

MID TO SMALL RESOURCES

*ARU: Substantial cost reductions for Nolans Rare Earths Project in NT

Arafura Resources Ltd announced the results of the recent CAPEX and OPEX review for its 100% owned Nolans Rare Earths Project in the Northern Territory has led to substantial cost savings on the August 2012 base case due to the relocation of the rare earth intermediate and rare earth separation plants and through material improvements in and simplification of the process configuration. The initial CAPEX for the Nolans Project now stands at \$1.408 **billion** inclusive of indirect and owner's costs and a 15% contingency. Indirect costs primarily relate to EPCM, specialist consultant costs and **site** costs.

The CAPEX excludes \$A197 **million** of costs which Arafura has deferred by adopting selective **mining** practices during the first ten years of operation.

OPEX is now estimated at \$A15.67/kg REO based on annual REO equivalent production of 20,000 tonnes, a reduction of approximately 24% or \$A98 **million** per annum on the base case, and compares favorably with published costs from current non **Chinese** rare earths production.

The key reductions in OPEX result from achieving greater efficiencies in beneficiation, rare earth extraction and separation and simplifying the supply chain.

The **company** expects to release details on the current scope of the Nolans Project including the economic impact of the cost reductions in a report during the first half of this year.

Market Cap \$36m.

ARU down 0.3 to 8.2 cents

*BYE: High bidder on three blocks in Grand Isle Area of Gulf of Mexico

Byron **Energy** Ltd announced it was the high bidder on three blocks in the Grand Isle Area of the Outer Continental Shelf in the shallow waters of the Gulf of Mexico. The final award of the leases is subject to a geological review by the Bureau of Ocean **Energy** Management to confirm the adequacy of the bids,

expected to be within three months. The total amount would be \$US488,000 assuming the leases were awarded to Byron.

Market Cap \$89m.

BYE up 2.5 to 82 cents

*CTP/STO: MtKitty-1 expected to recommence drilling around March 24

Central Petroleum Ltd managing director Richard Cotte announced the **company** has been advised by Santos as the operator of EP125 in the Northern Territory (STO farming in for 70%) that the Ensign 918 rig has mobilised and is expected to recommence drilling **operations** at the Mt Kitty-1 well location in the Amadeus Basin on around March 24.

As previously advised the top hole of the exploration well was drilled with a shallow capacity rig to a depth of around 785m KB. Planned total depth of the well is around 1,550 subsea.

Market Cap \$170m. / \$12.7b.

CTP down 2 to 55 cents / STO down 18 cents to \$13.11

*EVR: Record **gold** prod for 2013, all in sustaining costs \$US1,099

Endeavour **Mining** Corporation announced record **gold** revenue of \$US443 **million** in full year 2013 that generated an all in sustaining margin of \$US93 **million**.

On **gold** production of 324,275 ozs including 6,132 ozs of pre **commercial** production from Agbaou vs 220,462 ozs in 2012.

Gold sold was 318,505 ozs for a mine cash margin of \$US135.8 **million** with all-in sustaining margin of \$US933 **million**.

The all in sustaining cost per **gold** ounce **sold** was \$US1,099.

Endeavour invested \$US200.1 **million** in new mine construction, development and exploration which included \$US130.5 **million** for Agbaou construction.

Agbaou was completed ahead of schedule with first **gold** pour on November 20 20-13. **Commercial** production was declared on January 27.

CEO Neil Woodyer said in the report Endeavour's achievements in 2013 include delivery of **gold** production and all in sustaining cost within guidance ranges, the completion of Agbaou construction ahead of schedule and under budget, the completion of the Tabakoto mill expansion and subsequent production ramp up and completion of a positive Feasibility Study for the Hounde Project which is now in permitting.

Cash in hand is \$US73.3 **million** with long term debt of \$US300 **million** drawn from the corporate facility.

In 2013 Endeavour completed \$US23.1 **million** of non core asset sales.

As a result of lower **gold** prices, non cash after tax impairments of \$US364.2 **million** were recorded for full year 2013. As of December 31 2013 and after impairments, Endeavour's shareholders' **equity** was \$US1.83/share, equivalent to \$C1.94/share.

2014 highlights and outlook

Endeavour's **operations** include the Tabakoto **gold** mine in Mali, the Nzema **gold** mine in Ghana, the Youga **gold** mine in Burkina Faso, the new Agbaou **gold** mine on the Cote d'Ivoire.

2014 **gold** production is forecast between 400,000 to 440,000 ozs at an AISC (all-in sustaining cost) of between \$US985/\$US1,070 per oz.

The Hounde **gold** project in Burkina Faso is continuing to progress with permitting. Hounde has the potential to add 180,000 ozs per year at an AISC of under \$US800/oz.

Agbaou has quickly achieved and sustained design capacity and is fully ramped up, now a significant cash flow generator.

Market Cap \$59m.

EVR down 6 to 87 cents

*FXR: Inferred resource estimated at Bundaberg coking **coal** project

Fox Resources Ltd announced an inferred resource has been estimated at the Bundaberg coking **coal** project. The coking **coal** resource is inferred at 101.2Mt. The **Coal** Quality Sampling from Fox 6 has now shifted to generating two composite clean products, one at CF1.45 and the other at CF 1.60 and testing these for a range of coking and thermal properties. The results will be released once completed.

Market Cap \$8.8m.

FXR down 0.1 to 1.6 cents

*GBG: Ansteel converts \$60m in loans into majority **stake** in Karara

Gindalbie Metals Ltd advised its j/v partner Ansteel has exercised its right to convert two shareholder loans of \$A60 **million** in total to new shares in Karara **Mining** Ltd (KML), which will result in Ansteel increasing its ownership of Karara **Mining** from 50% to 52.16%, with Gindalbie owning 47.84%.

Various joint development agreement and management change are also proposed, yet to be formalised, including that the KML will be increased in number from 4 to 5, 3 from Ansteel and 2 from Gindalbie. The chairman of KML will be an Ansteel director.

Mr Chen Ping, a GBG non exec director and an Ansteel nominee director and current chairman of the KML **board** has been appointed managing director. KML has also recently appointed Neil Meadows as COO of KML. (Mar 19)

Market Cap \$99m

GBG down 0.4 to 6.6 cents

*GGX: Receives approval to commence Malolos-1 extended **oil** production

Gas2Grid Ltd advised it has just received written approval from the Philippine Department of **Energy** to commence the Malolos-1 extended **oil** production. The **operations** will commence as soon as the crew and equipment have been mobilized to the **site** with likely initial **oil** production commencing in April.

The testing is being carried out in order to confirm the commerciality of the Malolos **Oil** Field. The DOE had previously extended Service Contract 44 (SC44) for a 12 month period starting on the 29th January 2014 in order to conduct the tests.

Market Cap \$23m.

GGX up 0.1 to 3.2 cents

NS m11 : Equity Markets | nanl : Analyses | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter

RE austr : Australia | crimea : Crimea | tasman : Tasmania | victor : Victoria (Australia) | apacz : Asia Pacific | ausnz : Australia/Oceania | dvpcoz : Developing Economies | eeurz : Central/Eastern Europe | eurz : Europe | ukrn : Ukraine | ussrz : CIS Countries

PUB News Bites Pty Ltd

AN Document NBOZEN0020140320ea3k0005l