

**HD** MAY RISE EARLY, CLOSE WEAKER

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

Markets rose in Europe, the UK and US last night.

On the NYSE where 3203 issues traded there were 2,314 issues higher, 788 down and 101 unchanged. On Nasdaq where 2700 issues traded there were 1,761 issues higher, 860 down and 79 unchanged.

Metals were mixed, crude rose, **gold** was barely changed. The \$A is at 87.70US c, down a few from last evening.

"I think our market will finish down 34 points"

"Maree" said, "Expectations that our market will have a better day today following gains in the US market will be short lived.

"Downward pressure from emerging markets will keep our market capped.

"With the NAB's UK exposure and Australian banks lending to **Chinese** borrowers up by 75% in a year, I expect the banks to be **sold** today.

"I think our market will finish down 34 points".

Maree added, "We rose on the coat tails of the **Chinese** expansion, with manufacturing from the US and Europe flowing into the emerging markets where labor was cheaper. But now the cycle has turned.

"People are working for a lot less money in Europe and the US - eg, in Europe there are Spanish builders undercutting French builders in bidding for jobs in France. In the UK, competitive bidding for work at lower wages is becoming more frequent.

"It is no longer as viable to export manufacturing to emerging economies, where you are also subject to the laws of a foreign country - so manufacturing in **China** is declining while it rises in Europe and the US".

The S&P/ASX200 closed down 65.8 points to 5175.1 points last evening.

January 29. 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 higher. AWC fell 5c on 800,000 shares, RIO rose 23p on 3.7m shares, BHP gained 30c on 2.8m shares, News fell 5c on 1.2m shares, Fox rose 35c on 5.1m shares, Westpac rose 2c on 112,000 shares. Telstra was steady on 450,000 shares.

PSivida rose 3c on 8.7m shares, Prana rose 58c on 228,000 shares.

In London Anglo American rose 24p to 1,343.5p on 5.3m shares, Aquarius rose 0.25p to 38.5p on 304,192 shares, BskyB rose 9p to 867p on 3.14m shares, BHP rose 22p to 1,802p on 7.74m shares, Henderson rose 3.8p to 222.10p on 862,476 shares. RIO rose 73p to 3,213p on 4.58m shares.

Trading points:

\*Nomura lifts **mining** sector rating to "neutral", BHP and Rio named top picks

A gauge of **mining** companies rebounded from its lowest level in almost two weeks in the UK after Nomura Holdings Inc raised its rating on the industry to neutral from bearish. The brokerage said companies may reduce costs by more than analysts predict.

BHP Billiton and RIO Tinto were named as top picks by Nomura.

\***China** smog crackdown to boost demand for high grade **iron ore**

A Reuters report in the Western Australian yesterday (grateful thanks to Reader who forwarded) was picked up by other international news agencies last night, including the Financial Times - suggesting that **Chinese** demand for high grade Australian and Brazilian **iron ore** could squeeze out exporters of lower grade supplies from Iran, Mexico and Vietnam.

\*BLD: Strong 1st half profit, 2nd half profit to be significantly lower

Boral Ltd announced it expects Net Profit After Tax before significant items for the first half of 2014 to be approximately \$90 **million**, subject to finalisation of the audit review. (Vs a net statutory loss of \$25.3 **million** for the half year ended December 31 2012 vs a profit of \$152.7 **million** for the previous corresponding period (pcp) on revenue up 14% to \$2.773.8 **billion**).

Net profit before significant items was down 21.7% to \$52.2 **million**)

The result is underpinned by favorable weather conditions in Australia, strong volumes from major projects, a significant turnaround in the performance of the Building Products division and benefits from the prior year restructuring activities.

For full year 2014, Boral expects a significant skew of earnings to the first half of the year compared to the second half, due to factors including lower contribution from major projects, reduced contribution from Boral Gypsum following the move from a 100% owned division to a 50% j/v on completion of the **transaction** with USG during the second half and significantly lower levels of expected profits from **property** sales for 2014, which in prior years have traditionally benefitted the second half.

Boral will announce its first half 2014 results on February 12. (Jan 28, posted 8.33 a.m. missed by us earlier, deepest apologies).

\*CFU: Handelsblatt report on CFU - "Silent Power Plant for the Basement"

Handelsblatt in a report today entitled as above said, "It is as big as a dishwasher, generates electricity and heat and is still one of the luxury goods among the home appliances: a fuel cell power plant.

It is almost inaudible by day, by night - always. In submarines, space shuttles, cars and even in German boiler rooms. Fuel cells are considered an exotic, when it comes to supply a house with heat and electricity. But the technology is on the rise because more and more manufacturers are venturing out to the production of small series.

Ceramic Fuel Cells is one of them. Since early 2012, the Australian-German **company** micro power plants that come along with the efficiency of modern gas power plant and the size of a **commercial** washing machine. In North Rhine-Westphalia Heinberg the result is a device that can make a significant contribution to the **energy** turnaround.

By means of a solid oxide fuel cell in which electricity and heat is generated when connecting hydrogen and oxygen from the air to water, the manufacturer wants to achieve an overall efficiency of up to 85%. All it takes is beside a stream connection, the supply of gas and water. The BlueGen uses both natural gas as well as biogas for the necessary hydrocarbons to bring the reaction. This all takes place at temperatures of about 750 degrees Celsius, resulting in the combustion of the gas.

BlueGen combines a small natural gas boiler with the fuel cell technology and has thereby created an efficiency-Beast for the cellar. Every year, the unit supplies namely up to 13,000 kilowatt hours of

electricity, which is at a price of 12 cents per kilowatt hour, according to manufacturers. But even in this case there is again a problem: An average four-person household can not consume as much electricity.

Although the excess **energy** can be returned into the net, the feed-in tariffs are rather low: less than five cents per kilowatt hour. In terms of the **purchase** price of around Euro 33,000 - that's almost as much as for three conventional gas heaters.

Many a private consumer has for this reason been prevented from replacing a faulty gas heater with a fuel cell model.

The hope of all manufacturers is the same: With more funding and mass production, the technology can be significantly more affordable in the coming years".

Please note: We have long been shareholders in CFU, the subject of three Week's Specials.

Changes in substantials reported January 28 posted separately.

Please note: No Week's Special on Friday - cannot do justice in shortened week.

#### Overseas

The DJIA closed up 90.68 points to 15,928.56.

S&P 500 rose 10.94 points to 1792.50.

NASDAQ gained 14.35 points to 4097.96.

US 10yr bond yields fell 1 point to 2.76%.

The US\$ rose 23 points to 102.86 Yen.

The Euro fell 7 points to 1.3668US c.

The Yuan fell 27 points to 6.0510/\$US1.

FTSE 100 closed up 21.67 points to 6572.33. European markets closed higher.

The Nikkei Dow last evening fell 25.57 points to 14,980.16.

Shanghai SE Comp IX rose 5.21 points to 2038.51.

#### 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.

\*Trading conditions were thin in base metals, with many traders preferring to stand aside until the US FOMC meeting decision is known and ahead of the start of the **Chinese** New Year.

**Copper** fell \$10 to \$7,140/fell 434 to \$A8141. Stockpiles fell 2,825 tonnes to 322,575 tonnes.

Aluminium was down \$1 to \$1,754/fell 47 to \$A2000. Stockpiles fell 7,325 tonnes to 5,438,075 tonnes.

\*FastMarkets reported more than half of **China**'s aluminium capacity was profitable in the 4th quarter, according to consultancy **firm** AZ **China**. This is a consequence of the growth of new low cost capacity in the northwest of **china**.

Nickel fell \$10 to \$14,140/fell \$56 to \$A16,123. Stockpiles rose 198 tonnes to 264,288 tonnes.

Zinc was steady at \$2,010/fell \$6 to \$A2292. Stockpiles fell 4,800 tonnes to 864,275 tonnes.

**Lead** rose \$11 to \$2,154/gained \$6 to \$A2456. Stockpiles fell 500 tonnes to 209,175 tonnes.

Tin rose \$250 to \$22,100/gained \$217 to \$A25,200. Stockpiles fell 160 tonnes to 8,905 tonnes. Inventories are at the lowest since March 2009.

**Iron Ore** n/a

Steel billet was last at \$360/370.

Cobalt was indicated at \$27,500/298,500. Stockpiles fell 5 tonnes to 558 tonnes.

Molybdenum was indicated at \$21,800/22,800.

WTI crude rose \$1.69 to \$97.41/gained \$1.63 to \$A111.07.

Brent Crude was up 72c to \$107.41/rose 49c to \$A122.47.

Spot **gold** fell \$1 to \$1,254/fell \$5.07 to \$A1430. Spot silver fell 5c to \$19.57/fell 12c to \$A22.31. Spot platinum fell \$1 to \$1,409/fell \$6 to \$A1607. Spot palladium fell \$6 to \$717/fell 49 to \$A818.

Spot **uranium** fell 25c to \$35.50/fell 40c to \$A40.48.

\*FastMarkets reports **China** imported almost net 95 tonnes of **gold** from **Hong Kong** in December, according to the Census and Statistics Department of the **Hong Kong** government. This was 24% more than November, and almost exactly the same volume as the previous December.

**China** imported a net 1,158 tonnes of **gold** from **Hong Kong** in the whole of 2013, twice the number imported in 2012.

#### Overseas eco news

In US eco news, the Commerce Department reported orders for durable goods unexpectedly fell in December by the most in 5 years. Bookings for goods meant to last at least three years fell 4.3% after a 2.6% gain in November, that was smaller than previously reported and vs a 1.8% rise expected.

\*The Conference **Board**'s consumer-confidence index rose to 80.7 in January vs expectations of 78. More Americans than at any time since August 2008 said jobs were currently plentiful and the share of those viewing business conditions as good was the highest in more than six years.

\*The S&P/Case-Shiller index of home prices in 20 US cities rose in November by 13.7% from November 2012, and after a 13.6% rise in the year ended in October.

\*In the UK, the GDP rose 0.7% in the 4th quarter, capping the best year since 2007 with growth in every sector except construction. This followed a 0.8% GDP rise in the 3rd quarter, the Office for National Statistics reported. It was in line with expectations.

#### Overseas **equity** news

\*In the US of the Dow 30 there were 23 stocks higher and 7 down.

Pfizer led the way higher, gaining 78c or 2.63% to \$30.44 followed by Visa, General Electric and Caterpillar.

Cisco fell furthest, shedding 27c or 1.24% to \$21.73 followed by du Pont, Verizon, Home Depot and IBM.

Apple fell more than 7% intra day after saying it **sold** 51 **million** iPhones in the December quarter vs 55 **million** expected.

Casablanca Capital said it bought a 5.2% **stake** in Cliffs Natural Resources and asked the **company** to take action to increase its share price to \$53 which could include spinning off its international assets, doubling its annual dividend to shareholder and converting its US assets into a master limited partnership. Cliffs rose 2.4% intra day.

Home builder DR Horton rose 11% intra day after saying its fiscal first quarter profit surged.

Waters Corp rose 5.8% intra day after the laboratory equipment **company** said its adjusted profit in the 4th quarter rose 7%.

Money manager T Rowe Price **Group** rose 6.1% intra day after lifting 4th quarter profit.

Yahoo rose 4.28% to \$1.57 on market ahead of its 4th quarter results and fell \$1.44 or 3.74% to \$ the results of its 4th quarter earnings. Yahoo after the close reported

\*In Europe national **equity** benchmarks rose in 15 of the 18 western European markets. Santander rose 1.6% to Euro 6.36 after falling 5.3% over the past three days on emerging market currency concerns. Siemens rose 1.6% to Euro 98.94 after saying income from continuing **operations** in the first quarter rose 21% to Euro 1.39 **billion** vs Euro 1.33 expected while the profit margin rose to 8.8% from 6.5%.

Software rose 7.2% to Euro 27.50 after forecasting EBITDA up by as much as 10/5. JCDecaux rose 4% to Euro 31.93 after lifting organic sales growth to 4.5% in the December quarter. Swedbank fell 4.6% to SKr171 after the Swedish lender said net income fell 15% to SKr3.61 **billion**.

\*In the UK, BHP rose 1.2% and Rio rose 2.3% after Nomura named them as the top picks. F&C rose 6.1% to 123.5p after the Bank of Montreal agreed to **buy** the manager of the oldest UK investment fund for 708 **million** pounds, or 120p a share in cash. F&C shareholders will also receive their 2p dividend for 2013. The deal may attract a counter bid, Canaccord Genuity said, Numis Securities also said the Bank of Montreal had not offered a big premium and a counterbid couldn't be ruled out.

Aberdeen rose 3% to 403.2p in tandem.

Crest Nicholson Holdings rose 0.8% to 355p after the **property** developer announced its operating profit margin rose 18.5% in the year through October 2013 from up 18% the previous year.

Lloyds rose 3.1% to 82.85p, Royal Bank of Scotland recovered 3.5% to 343.9p after yesterday falling after reporting more provisions for mortgages.

ARM fell 1.4% to 944.5p after Apple **sold** 51 **million** iPhones in the first quarter vs 54.7 **million** expected by analysts..

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