

HD MARKET EXPECTED TO CLOSE LOWER

BY Jenny Prabhu

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

Europe rose, the UK was up, the US markets fell.

On the NYSE where 3193 issues traded there were 888 issues higher, 2,242 down and 63 unchanged. On Nasdaq where 2690 issues traded there were 736 issues higher, 1,889 down and 65 unchanged.

Metals were higher, crude fell, **gold** was up a few. The \$A is at 90.60US c, up about 30 points from last evening.

"High of 5265, low of 5232. Close at 5255, down 37.1 points"

Daniel Goulding, the author of "The Sextant Market Report" said, "Our market looks set to open lower with our local futures contract down 48 points.

"It appears as though a retest of the December low is on the cards before another, perhaps final, rally high is due.

"There was a big move north in the Japanese yen yesterday - I'll reiterate my warning from yesterday that this is the canary in the **coal** mine.

"**Bonds** rallied again. It will be interesting to note the volume today on our market given that to date this pullback does not look that sinister.

"The high will be 5265. The low will be 5232. When the dust has settled the market will have closed at 5255, down 37.1 points.

The S&P/ASX200 closed down 20.3 points to 5292.1 last evening.

January 14. Good morning.

*The OECD said its leading indicator continues to signal an improving economic outlook in most advanced economies. The composite leading index rose to 100.9 in November from 100.7 in October.

Britain is leading a small band of advanced economies where growth is "firming" and the recovery gaining traction, according to the Organisation for Economic Co-operation and Development. The OECD's composite leading indicator (CLI) for the UK, which has a track record of predicting economic trends six months in advance, continued to suggest growth was "firming", the Paris-based think-tank said on Monday.

Growth in the US, Japan and Germany was also "firming" – though the rate of expansion was lower or equal to the UK's – while France's economic recovery showed further signs of gaining traction and the wider 18-member eurozone continued to show a "positive change in momentum".

Emerging economies continued to lag behind, with the OECD reporting only a "tentative positive change in momentum" in **China**, the world's second largest economy. Growth was "around trend" in Brazil and Russia, and below trend in India.

*Spain's 4th quarter GDP rose 0.3%, following a 0.1% rise in the third quarter. While the economy is still weak, it is recovering, Economy Minister Luis de Guindos announced on Monday in the Madrid parliament.

The reduction in unemployment is coming faster than expected. De Guindos confirmed Spain will meet the reduction of new borrowing for 2013 agreed with the EU Commission's deficit target of 6.5% of GDP.

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 down. AWC fell 2c on 1.35m shares, RIO fell 33p on 1.6m shares, BHP fell 52c on 3m shares, News fell 34c on 460,000 shares, Fox fell 90c on 8.8m shares, Westpac shed 8c on 184,000 shares, Telstra fell 3c on 430,000 shares. Resmed fell 14c on 10.5m shares.

PSivida fell 10c on 710,000 shares. Prana fell 1.5c on 5.8m shares.

In London Anglo American rose 23.5p to 1,273p on 2.5m shares, Aquarius was steady at 38.75p on 134,059 shares, BskyB rose 0.5p to 839.5p on 1.8m shares, BHP rose 10.5p to 1,800p on 6.4m shares, Henderson fell 3p to 235.4p on 1m shares, RIO rose 37p to 3,177p on 3m shares.

Trading points:

*Speculation on ANZ bid for Standard Chartered does the rounds again

In the UK last night, Standard Chartered rose 0.4% to 12.92 pounds on further talk that it may be a target for ANZ. Citigroup called the ANZ theory "possible but unlikely". Citigroup said ANZ still lacked scale in Asian **commercial** banking but was now 50% bigger than StandardChartered thanks to the strength of its domestic franchise.

*FMG/MIN: FMG buys out of 2 Christmas Creek **ore** processing facilities

Fortescue Metals **Group** Ltd has today assumed full ownership and operational responsibility for the two Christmas Creek **Ore** Processing Facilities by purchasing the plants from Mineral Resources Ltd's subsidiary Crushing Services International Pty Ltd (CSI) in accordance with the options granted by CSI under the original Build Own Operate contracts.

The buyout of the finance lease for the two Christmas Creek **Ore** Processing Facilities continues FMG's ongoing debt reduction program. (Jan 13)

*PPX/PXU: Coastal Capital applies to T/O Panel re. PPX bid for PXU

The Takeovers Panel has received an application from Coastal Capital International Ltd in relation to the affairs of PaperlinX PS Trust which is the subject of a takeover bid by PaperlinX.

Coastal Capital has 19.16% of the SPS Trust for which PaperlinX has made an off market scrip bid, offering 250 PPX shares for each SPS Trust unit. PPX intends to delist and cancel the SPSs and **wind** up the SPS Trust.

Coastal Capital submits among other things that SPS holders may be coerced into accepting the bid because of the risk that their rights will be substantially diminished by PPX crying out its stated intentions, and because there is an imbalance of rights between PPX and the SPS holders.

The various documents relating to the establishment and operation of the SPS Trust have not been disclosed and the bid is properly characterised as a **buy** back of PPX securities due to the links between PPX and the SPS Trust which should be considered quasi securities of PPX, which constitutes a breach of SPS terms.

Coastal Capital seeks final orders to prevent PPX exercising any rights in respect of SPSs it acquires under its bid and that PPX be required to exchange the SPSs for preference shares in PaperlinX.

A sitting Panel has not been appointed at this stage and no decision has been made as to whether to conduct proceedings. (Jan13)

*PRU: Quarterly **gold** prod up, all-in costs down 8.5%

Perseus Mining Ltd announced preliminary operating highlights at its Edikan Gold Mine in Ghana during the three months and six months ended December 31 2013.

Full details will be released on January 28.

December quarter gold production rose 6% to 48,360 ozs on significant improvement in operating efficiency. All-in site costs of \$US1,228/oz for the quarter were 8.5% lower than the previous quarter.

Gold production of 94,190 ozs for the December half year was in line with guidance of 91,000/101,000 while at \$US1,283/oz December half year all-in site costs were 2.7% above guidance.

At December 31 2013 available cash and bullion was valued at \$28.2 million vs September 30 valuation at \$27.3 million, and a hedge position valued at \$US31.6 million.

Material progress has been made towards resolution of an outstanding VAT liability of GHC93 million or \$US39.4 million owed to Perseus Mining (Ghana) Ltd by the Ghanaian Government.

Bank credit committee approval has been received on terms for a \$US25 million working capital facility. Perseus is re-evaluating the merits of using debt finance in the current gold price environment.

Managing director Jeff Quartermaine said in the report if the steady improvement seen in the quarter continues as expected, the company will be very well positioned to meet challenges arising from a weaker gold price, and create a solid foundation to build on once the gold price recovers. (Jan 13)

*CRV: CRV re-lists, now an engineering & constr service for WA o&g industry

Core Services Ltd was incorporated on 6 September 1988 and was admitted to the Official List of the ASX on 11 January 2005.

Core was previously an electronic data and transaction services company which operated Connexion Rewards Limited based in Hong Kong.

The Company intends to actively review new transactions that may or may not be in the same sector as its existing operations with the overriding objective of creating shareholder value.

The Board members have a broad range of experience, skills and networks within the construction and resources sectors which it now intends to utilise in reviewing future transaction opportunities.

As further set out in Core's ASX announcement dated 19 September 2012, the Board believes the Australian resources sector and specifically the oil and gas sectors continue to provide key opportunities for growth over the longer term.

Accordingly, Core's Australian operations have now been focusing on potential acquisitions and partnerships with contracting, engineering and technology providers that have either demonstrated strategic positioning within the target sectors or are highly synergistic to Core's future sole source oil and gas project delivery strategy.

Directors:

Steve Dropulich, Managing Director

Mr Dropulich is a Chartered Accountant and member of the Australian Institute of Company Directors.

Mr Dropulich is the Managing Director of the Company and a non-executive director of the Z Corp Group of Businesses.

Mr Dropulich most recently held the role of Managing Director / Vice President of the Enerflex Australasia Group, a multi-discipline engineering, construction, supply and service organisation servicing the oil and gas and mining sectors.

Mr Dropulich is also currently a director of the Vendor Trustee and Marcon. Mr Dropulich has held no other directorships in listed entities in the past three years. Mr Dropulich does not expect that his directorships with other companies or other business activities will interfere with his ability to act as Managing Director of the Company.

Vincent Goss, Non-executive Director

Mr Goss is an Officer Fellow of the Institution of Engineers Australia and also holds a Builder's Registration accreditation in Western Australia.

Mr Goss is a civil engineer with over 35 years' experience in multidiscipline services. He has considerable experience in tender design, quality assurance/quality control, safety and environmental systems.

Mr Goss was also one of the founders of the HVAC/HPS groups of companies in 1988, originally holding the role of construction director through to his latest role as **group** Managing Director during the **group's transaction** with the Enerflex Australasia **Group**.

Mr Goss is also currently the Managing Director of Marcon. Mr Goss has held no other directorships in listed entities in the past three years.

Mr Goss does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-executive Director of the **Company**.

Ranko Matic, Non-executive Director and **Company** Secretary

Mr Matic is a Chartered Accountant with over 20 years' experience in the areas of financial and executive management, accounting, audit, business and corporate advisory.

Mr Matic has considerable experience in a range of industries, with particular exposure to public listed companies and large private enterprises. He is a director of a chartered accounting **firm** and a corporate advisory **company** based in Perth, Western Australia and has specialist expertise and exposure in the areas of audit, corporate services, due diligence, mergers and acquisitions and valuations.

Mr Matic currently holds non-executive directorships with Celsius **Coal** Ltd and East **Energy** Resources Limited and is also **company** secretary for several ASX listed companies. Mr Matic has held no other directorships in listed entities in the past three years. Mr Matic does not expect that his directorships with other companies or other business activities will interfere with his ability to act as a Non-executive Director of the **Company**.

Overseas

The DJIA closed down 179.11 points to 16,257.94.

S&P 500 closed down 23.17 points to 1819.20.

NASDAQ fell 61.36 points to 4113.30.

US 10yr bond yields fell 3 points to 2.83%

The US\$ fell 1.22 Yen to 102.95 Yen.

The Euro rose 2 point to 1.3672US c.

The Yuan rose 84 pions to 6.0439/\$US1.

FTSE 100 closed up 17.21 points to 6757.15. European markets closed higher.

The Nikkei Dow last evening was closed on holiday.

Shanghai SE Comp IX closed down 3.74 points to 2009.56.

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 rose \$29 to \$7,329/fell \$25 to \$A8089. Stockpiles fell 3,100 tonnes to 340,775 tonnes, falling for the 49th consecutive day on Monday, FastMarkets reported.

Aluminium was up \$14 to \$1,779/rose \$2 to \$A1964. Stockpiles fell 6,675 tonnes to 5,430,750 tonnes.

Nickel rose \$580 to \$14,210/gained \$533 to \$A15,084, a two week high, partly on short covering, FastMarkets reported. Stockpiles fell 258 tonnes to 261,648.

Zinc was up \$27 to \$2,960/rose \$14 to \$A2274. Stockpiles fell 4,275 tonnes to 901,300 tonnes.

Lead gained \$47 to \$2,166/rose \$35 to \$A2391, its highest price for a week. Stockpiles fell 500 tonnes to 212,500 tonnes.

Tin was up \$275 to \$22,150/rose \$132 to \$A24,448, a two week high, in part fuelled by short covering, FastMarkets reported. Stockpiles fell 40 tonnes to 9,620 tonnes.

Iron Ore rose 20cto \$139.90/fell 81c to \$A144.48.

Steel was indicated at \$355/365.

Cobalt was indicated at \$27,200/28,000.

Molybdenum was indicated at \$21,250/21,750.

WTI crude fell 92c to \$91.80/fell \$1.74 to \$A101.32.

Brent Crude fell 50c to \$106.75 ahead of contract expiry on Thursday.

Easing sanctions against Iran, at a time when there is ample **oil** supply, drove the price down.

Spot **gold** rose \$6 to \$1,255/fell \$3.19 to \$A1385. FastMarkets said the rise is being fuelled by a short covering squeeze. Spot silver rose 0.29 points to 20.44/gained 16 points to \$A22.56. Spot platinum was up \$8 to \$1,443/fell \$2 to \$A1593. Spot palladium fell \$3 to \$740/fell \$9 to \$A817.

Overseas eco news

*German machinery orders rose 7% in December from the previous December. Domestic orders fell 1% while foreign demand increased 12%.

Overseas **equity** news

*In the US 29 of the Dow 30 closed lower.

Merck was the only riser, gaining \$3.23 or 6.48% to \$53.11.

Microsoft was the biggest loser, shedding \$1.09 or 3.04% to \$34.95 followed by Walt Disney and Nike.

Suntory, the Japanese family-owned drinks maker acquired Beam in a \$16bn deal, for \$83.50 per share in cash, vs Beam's Friday close of \$66.97.

Lululemon shares fell 17% intra day after it cut its 4th quarter earnings guidance, saying that traffic and sales have fallen since the beginning of January.

Twitter shares rose on a broker upgrade. SeaWorld Entertainment rose more than 2% intra day after reporting record revenue for the 4th quarter. Netflix shares were higher, General Motors and Ford were barely changed.

Juniper rose 8.9% after Elliott Management, a 6.2% shareholder proposed various steps for the **company** to realise its potential. McKesson fell 3.9% after its failed bid for Celesio.

*In Europe, national benchmark indexes rose in 15 of the 18 western European markets, led by the banks after the Basel Committee adjusted proposals for the calculation of lenders' leverage ratio that will give the banks more scope in calculating the ratio, as well as easing proposals on how banks determine the size of their off balance sheet activities, Bloomberg reported. Deutsche Bank rose 4.7% to Euro 38.57, Commerzbank gained 5.5% to Euro 13.69. UBS rose 3.1% to SFr18.76.

Suedzucker rose 11% to Euro 21.59 after reiterating its full year profit forecasts. Alcatel-Lucent rose 5.1% to Euro 3.27, said to be mulling the **sale** of its enterprise business. Peugeot Citroen rose 7.8% to Euro 10.80, Continental rose 1.2% to Euro 159.95.

German drug distributor Celesio fell 0.54% to Euro 24.17 after shareholders rejected US drug distributor McKesson Corp's takeover offer, despite a last minute boosted bid to Euro 23.50, up from Euro 23.

Celesio said in a news release that it remains an independent **company** and will carry on with its strategy.

The failed bid means Celesio's majority owner, Franz Haniel & Cie. GmbH, won't sell its 50.01% **stake**.

*In the UK, Standard Chartered rose 0.4% to 12.92 pounds on further talk that it may be a target for ANZ. Citigroup called the ANZ theory "possible but unlikely". Citigroup said ANZ still lacked scale in Asian **commercial** banking but was now 50% bigger than StandardChartered thanks to the strength of its domestic franchise the Financial Times reported.

Royal Bank of Scotland rose 3.1% to 368p, Barclays rose 2.9% to 291.7p.

Royal Mail rose 0.7% to 587p. Wm Morrison rose 6.4% on news that Elliot Associates was agitating for cash returns funded from its 9 billion pound freehold property portfolio.

Debenhams rose 5% to 85.7p after Sports Direct International acquired a 4.63% stake. Sports Direct fell 1.1% to 747.5p.

ICap fell 1.1% to 451.9p on a broker's downgrade. Retailer Morrison rose 6.4% to 251.3p, Tullow Oil fell 3.5% to 878p as the price of oil fell.

AMEC made a \$3.2bn (£1.9bn) recommended offer to take over Foster Wheeler, the international engineering and project management business.

Under the deal, Foster Wheeler shareholders are to receive 0.9 new AMEC shares and \$16 in cash, valuing the Swiss group at \$32 a share. AMEC rose 2.41% to 1,105 p after falling earlier.

UK shale prospectors rose after Total took a 40% interest in two licences. Igas Energy rose 17.6% to 126.8p and Egdon Resources was up 53.3% to 14.4p.

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