

HD Macquarie Sees Upside to Asciano Ports Unit Value -- Market Talk
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2356 GMT - Asciano (AIO.AU) appears to be fending off the challenge from Hutchison Ports in its ports business, with Hutchison taking market share from Dubai-based DP World instead, says Macquarie. Asciano is continuing to consider the **sale** of a minority **stake** in its ports business. Based on trading data and analysis of recent deals in the sector, Macquarie thinks Asciano could do a deal at a multiple of 13 times Ebitda. That points toward upside of A\$200 **million** to the broker's A\$2.8 **billion** for the division as a whole. Macquarie, which rates Asciano at outperform with a A\$7.00 price target, says a partial **sale** of the ports business would be a material near-term catalyst for the stock. AIO last traded at A\$5.70. (david.winning@wsj.com; @dwinningWSJ)

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2350 GMT [Dow Jones] Woodside (WPL.AU) is undervalued and its strategy is sound, says Citigroup, which reckons the Australian **oil company** will reveal Thursday it is getting higher prices for its LNG. The broker, which rates Woodside a buy, says the LNG price details could prompt consensus earnings upgrades of 7% to 8%. Woodside has copped some flak for paying 80% of its profit as dividends while it struggles to find new investment options. Citigroup, however, says the scenario provides a 6% to 7% dividend yield for the remainder of the decade, while leaving US\$3.5 **billion** spare room for acquisitions. "Woodside is delivering on a good strategy, with a clear order for capital allocation to target shareholder returns greater than 15% per annum," the broker says, applying a A\$46.44 price target. WPL is down 0.9% at A\$38.36. (ross.kelly@wsj.com)

2342 GMT [Dow Jones] Nymex crude is likely to consolidate near term after hitting a nearly two-year low of \$83.59 on Friday but settling up five cents at \$85.82/bbl, Dow Jones technical analysis shows. The daily continuation chart is mixed as the five- and 15-day moving averages are declining and the MACD indicator is bearish, but the slow stochastic measure is turning bullish in oversold territory. Resistance is at \$86.29 (Friday's high); a breach would be near-term positive, exposing the upside to \$87.95 (Thursday's high), then to \$88.63 (Wednesday's high), \$90.57 (Tuesday's high), \$90.74 (Oct. 6 high, near the middle 20-day Bollinger Band), \$91.79 (Oct. 3 high) and \$92.96 (Oct. 1 high). But a drop below the \$83.59 support would reinstate the negative near-term outlook, exposing the downside to \$82.10 (July 2, 2012, low), then to the psychological \$80.00 line and \$77.28 (June 28, 2012, swing low). November crude is down 91 cents at \$84.91/bbl on Globex. (jerry.tan@wsj.com)

2258 GMT [Dow Jones] A 0.8% fall in New Zealand food prices in September is in line with expectations as food prices have remained largely flat over the last year, says ASB economist Christina Leung; "The result adds to other inflation indicators pointing to a contained inflation environment." Leung adds that the 3Q CPI release due next Thursday will show annual inflation at around 1.2%; "With little urgency for the RBNZ to resume its tightening cycle, we continue to expect the RBNZ will keep the OCR (official cash rate) on hold at 3.5% until March 2015." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

2246 GMT [Dow Jones] September Real Estate Institute of New Zealand, or REINZ, may show subdued house sales due to election-related uncertainty, says Westpac Bank. Recent data from REINZ have been weak, "hinting at a renewed slowdown in housing" but "it is not clear whether this was signal or noise," says Westpac. House sales fell 19% between September and April, and rose 4% between April and August. While they may be weaker in September, Westpac says a rebound in October is possible. The data are due early this week. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2241 GMT - Bell Potter remains positive about Australia's big general insurers. It defends buy recommendations for Insurance Australia Group (IAG.AU), QBE Insurance (QBE.AU) and Suncorp

(SUN.AU) based on the defensive nature of the industry and operating scale of the three companies, which are working to cut costs. It also says SUN has a large and likely growing capital surplus, while the upside is likely greatest for QBE given its investments are shorter in duration and its claims liabilities longer in duration. It has a target of A\$6.75/share on IAG, A\$13.10/share on QBE and A\$15/share on SUN. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2223 GMT - Highfield Resources (HFR.AU), which is developing a potash project in northern Spain, offers 53% upside for investors betting that emerging economies such as Brazil and **China** will need more fertilizer to sustain their food production, says Bell Potter. The broker has a buy call and A\$0.90 price target on the stock. It says the ASX-listed **company** has enough cash to complete a feasibility study into its Muga-Vipasca project around mid-2015, but will likely need to raise around A\$110 **million** thereafter to fund the **equity** component of its development. Bell Potter also adopts a more conservative price outlook on long-term potash prices of US\$300/ton, compared with Highfield's estimate of around US\$400/ton. HFR last traded at A\$0.585. (david.winning@wsj.com; @dwinningWSJ)

2218 GMT - Australian shares are likely to continue last week's slide, with no sign worries over the pace of global growth are letting up. U.S. stocks capped a volatile week with losses Friday, and the Dow industrials shifted back into negative territory for the year. IG forecasts an opening fall of 1.1% for the S&P/ASX 200 to about 5127. Trade balance data due Monday out of **China** will be watched closely given concerns over a slowdown in Australia's biggest trading partner have been one of the triggers for the sharp and sustained selling in Aussie shares, IG market strategist Evan Lucas says. BHP Billiton (BHP.AU) shares may weaken after the U.S. ADRs fell 1.1%, although the spot **iron-ore** price rose 0.5% on Friday to US\$79.90/ton, IG figures show. The ASX 200 ended Friday down 2.1% at 5188.3. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2209 GMT - If investor lending in Australia loses more steam then it would relieve a key constraint to easier monetary policy, says J.P. Morgan. "The fact that further macro-prudential measures are expected to be announced by year-end adds to this prospect," J.P. Morgan economist Ben Jarman says. The value of loans for investment housing in Australia fell 0.1% in August from a month earlier, slowing sharply from a 5.6% on-month rise in July, data showed Friday. "Of course, it's still possible that foreign investment activity keeps prices going up," Mr. Jarman says, noting that Sydney is a potential hotspot. That would leave the Reserve Bank of Australia with the existential question of whether it should care about rising asset prices if there is no marginal leverage associated with it. "We suspect officials would view such a situation as outside the purview of monetary policy," Mr. Jarman says. (david.winning@wsj.com; @dwinningWSJ)

(END) Dow Jones Newswires

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CO ascian : Asciano Ltd. | hutpor : Hutchison Port Holdings Limited | hutwam : Hutchison Whampoa Limited

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