HD Considerable Upside for Redflow, Says Morgans -- Market Talk

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2350 GMT [Dow Jones]--Battery maker Redflow's (RFX.AU) cash balance of A$10.2 million ($9.2 million) at end-June should be sufficient to see the company through to breakeven in 12-18 months, says Morgans analyst Nick Harris. He sees a number of value-creating milestones on the horizon for the company. These include manufacturing being fully outsourced to Flextronics (FLEX) within the next four months, and systems integrator trials of its zinc-bromide battery module, known as ZBM, in the field over the next 3-18 months. "While Redflow is not without risk, we see considerable upside if success is achieved," Harris says. "Success in systems integrator trials should lead to niche market adoption now and potentially mass market adoption later on." Morgans rates the stock at add, up its price target by 6.5% to A$0.33. RFX last traded at A$0.27. (david.winning@wsj.com; @dwinningWSJ)

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2348 GMT [Dow Jones] The latest Australian crop estimates suggest another soft year ahead for the country, which will weigh on GrainCorp's (GNC.AU). Bell Potter trims its expectations for the harvest collected by GNC and lowers its forecast for fiscal 2015 net profit by 9.3% and for FY16 by 0.4%. That pitches Bell Potter's FY15 forecast roughly 15% below the concensus view of analysts. "GNC looks to now endure two years of what we would call below average [harvest] receivals and cashflow at a time when it is in the middle of a A$515 million growth capex program." It retains a hold recommendation and A$8.37/share target. GNC last traded at A$8.75. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2347 GMT [Dow Jones] Nymex crude is likely to trade in a higher range near term after hitting a two-session low of $90.63/bbl on Monday but settling up 65 cents at $92.92/bbl, Dow Jones technical analysis shows. The daily continuation chart is mixed as the five- and 15-day moving averages are declining, but the daily slow stochastic indicator is bullish. Resistance is at $93.03 (Monday's high); a breach would target $93.67 (Friday's high, near the middle 20-day Bollinger Band), then $93.94 (Sept. 9 high), $94.99 (Sept. 5 high), $95.39 (Sept. 4 high), $95.83 (Sept. 3 high) and $96.00 (Aug. 29 high, near upper 20-day two-standard deviation Bollinger Band). But a drop below the $90.63 support would tilt the near-term view negative, targeting $90.43 (16-month low hit Thursday), then $90.11 (May 1, 2013, reaction low), the psychological $90.00 line, $87.55 (April 22, 2013, low) and $85.61 (April 18, 2013, swing low). October crude is down 12 cents at $92.80/bbl on Globex. (jerry.tan@wsj.com)

2341 GMT [Dow Jones] Iron-ore prices jump 3.9% as stronger steel prices prompt mills to restock the raw material, says Commonwealth Bank of Australia analyst Lachlan Shaw. Steelmakers are also topping up stockpiles ahead of China's National Day holiday in October, he says. According to The Steel Index, 62% iron fines last traded at US$85.20/ton, bouncing from a five-year low. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

11:32 GMT [Dow Jones] Foreign ownership of New Zealand's domestic equities stands at 38%, a level that is back to pre-GFC highs and 400 bps above 10-year averages, says Forsyth Barr. The percentage has jumped over the last two years as New Zealand has enjoyed stronger relative growth than the rest of the world but it "raises the issue of implications should NZ fall out of favor as an investment destination," it says. It notes there could be "quantum selling" by foreigners. It underscores that NZ equity foreign ownership changes are closely correlated with the Australian rather than U.S. dollar and it will likely "be the relative attractiveness of Australian relative to NZ stocks that will drive ownership changes." It says NZ stocks dual listed in Australia "would be at most risk." (rebecca.howard@wsj.com; @FarroHoward)

2330 GMT [Dow Jones] Macquarie (MQG.AU) likely has even more earnings upside from higher performance fees, especially if its unlisted infrastructure fund MEIF 1 can exit remaining assets in line with current valuations, UBS says. Macquarie now forecasts its FY15 profit will be up slightly where it had earlier pointed to a flat performance, thanks to higher performance fees from listed and unlisted funds. UBS suggests the higher fees primarily relate to MEIF 1, which in recent months has **sold** stakes in French toll roads and the Stockholm airport rail connection Arlanda Express. The brokerage says further performance fees are highly likely as the rest of the portfolio is **sold** over the next about 18 months. It has a neutral recommendation and A$57/share target. MQG last traded at A$58.55. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2317 GMT [Dow Jones] Cochlear (COH.AU) shares may get a boost after U.S. regulators approved a key function of its latest-generation Nucleus 6 hearing implant, allowing the device to connect wirelessly with smartphones. Cochlear's revenue has come under pressure in recent months, as customers held out for the full range of technological functions to become available. Analysts, including at J.P. Morgan, had warned approval delays for the wireless function were widening rival Advanced Bionic's advantage over Cochlear. Coincidentally, the Federal Drug Administration's approval comes as Apple Inc. prepares to release its latest iPhone device. COH was last at A$67.23. (Ross.Kelly@wsj.com)

2307 GMT [Dow Jones]--Bell Potter downgrades Australian listed fund managers to underweight due to recent legislative change that will reduce a planned increase in pension-fund contributions from employers. The broker warned of "vulnerable momentum" in the sector in April. "I believe there are now valid reasons for 'strategic' caution after a major legislative change that should see price to earnings (relative to the market) fall in the sector as forward earnings growth is harder to generate," Bell Potter executive director Charlie Aitken says. "These are major changes to the rate of growth of compulsory superannuation contributions which in my view means Australian fund managers will have to rely on market based growth rather than structural inflow growth for the next six years." Mr. Aitken continues to favor AMP (AMP.AU). (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2302 GMT [Dow Jones] Now that it has **sold** its main Australian assets, the focus for Karoon Gas (KAR.AU) turns to Brazil, where UBS hopes the coming Kangaroo-2 well will provide a "share price bounce" when it's drilled between September and December. Karoon and joint venture partner Pacific Rubiales (PRE.T) have already had some success with the Kangaroo-1 and Kangaroo West wells and a further **oil** discovery would help prove up the quality of the resource. Although the drilling program is risky, UBS notes Karoon's US$600 **million sale** of Australian assets to Origin (ORG.AU) provides A$2.44/share of cash backing, offering considerable protection if well results disappoint. The shares could also benefit from a further sell-down of Karoon's **stake** in the promising Brazilian assets, UBS says, applying a **buy** recommendation and A$5.50 price target vs. Karoon's last trade of A$3.74. (Ross.Kelly@wsj.com)

2255 GMT [Dow Jones] The realignment of Johnson Controls' building efficiency business unit includes a management shakeup as part of separating the unit's service and HVAC products businesses. Dave Myers, president of the building unit, resigned after 20 years with JCI. He has been replaced by Bill Jackson, who worked in JCI's automotive business after joining the **company** in 2011. Trent Nevill will continue as vice president and general manager in charge of building efficiency's service business, which accounted for 45% of building efficiency's $3.9 **billion** of revenue in 2013. Building efficiency has become a more important business to JCI as the **company** scales back its automotive business in search of better margins and a higher stock price. JCI ended down 1.2% at $46.02. (robert.tita@wsj.com)

2252 GMT [Dow Jones] Johnson Controls JCI is splitting the service and products businesses of its building-efficiency unit, a move that JCI hopes will give the businesses more room to expand and focus on customers. "I think it's going to make us a better **company**," says CEO Alex Molinaroli in an interview. "Both of these businesses are very important to our future," he says. The service business has 120 branches that install, repair and maintain heating and air conditioning systems in **commercial** buildings. The products side of the buildings business builds York-brand HVAC equipment and recently entered into a joint venture with Hitachi for variable refrigerant technology. JCI ended down 1.2% at $46.02. (robert.tita@wsj.com)

2252 GMT [Dow Jones] Australia's central bank will publish minutes of its September policy meeting at 0130 GMT. ANZ says in a research note it expects a more optimistic message on the domestic economy to be conveyed, but is also looking to see if the level of concern among policy makers about **China**'s **property** market is on the rise. The Australian dollar has had its biggest fall against the U.S. dollar in more than a year in the last week in part due to uncertainty about **China**. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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