

HD ANZ Still Too Expensive, says J.P. Morgan -- Market Talk

WC 1,118 words

PD 3 November 2014

ET 09:16

SN Dow Jones Institutional News

SC DJDN

LA English

CY Copyright © 2014, Dow Jones & Company, Inc.

LP

2216 GMT [Dow Jones] While the quality of Australia & New Zealand Banking Group's (ANZ.AU) earnings and lending book continues to improve, its stocks are still too expensive, says J.P. Morgan, which keeps an underweight recommendation, while lifting its price target to A\$36.39/share from A\$36.08. "We continue to expect overall revenue growth to remain subdued in the mid-single-digit range," the broker says. ANZ was last at A\$33.50. (Ross.Kelly@wsj.com)

TD

2114 GMT [Dow Jones] Bell Potter cuts its price target for BC **Iron** (BCI.AU) by 38% to A\$1.80/share, saying investors need a healthy appetite for risk following a dreadful quarter featuring disruptions at its Western Australian mines. "With a market capitalization and enterprise value of A\$196 **million** and A\$118 **million**, respectively, BC **Iron** is trading at a similar value to other **iron ore** explorers/developers listed on the Australian Securities Exchange," the broker says. "At these levels, BC **Iron** represents cheap **iron ore** leverage, with a 10% change in our price estimates, leading to a 40-50% change to our valuation." As BC **Iron** ramps up annual production back to 6 **million** tons, the miner should generate positive operating cash flow, Bell Potter says. Still, the broker says risks to its buy call include persistently weak **iron-ore** prices and widening of pricing discounts. BCI last traded at A\$1.075. (david.winning@wsj.com; @dwinningWSJ)

2204 GMT [Dow Jones] Regis Resources's (RRL.AU) strong start to FY15 is a big step toward rebuilding confidence shaken by problems including flooding at its Western Australian mines and a hefty writedown against projects including its McPhillamys **gold** deposit in New South Wales state. Still, J.P. Morgan says it prefers the risk-reward balance offered by rivals Alacer **Gold** (AQG.AU) and OceanaGold (OGC.AU). The broker retains a neutral call with A\$1.80/share price target. Regis produced 89,000 ounces of **gold** in the three months through September, up 35% on the previous quarter, to beat J.P. Morgan's forecast for 81,000 oz. "Nonetheless, we remain concerned about the history of operational issues at Garden Well and Rosemont that have challenged our confidence in the **company's** assets," J.P. Morgan says. RRL last traded at A\$1.38. (david.winning@wsj.com; @dwinningWSJ)

2139 GMT [Dow Jones] Forsyth Barr lauds Ebos Group's (EBO.NZ) strategic **acquisition** of BlackHawk Premium Pet Care -- which provides a direct investment into the growing premium pet food category in Australia. It also grows Ebos' exposure to the animal care sector, characterized by above GDP growth and attractive margins, it says. Forsyth Barr expects the **acquisition** to be EPS accretive from FY15. However, with Ebos trading at a small PE discount to the market, it retains a neutral rating and a 12-month target price of NZ\$10.40. The share is +0.3% at NZ\$9.60 early in New Zealand. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2136 GMT [Dow Jones] The NZD/JPY remains well supported after the BOJ stunned markets by announcing an increase in the pace of its assets purchases, says BNZ FX Strategist Raiko Shareef. The pair is at 87.6475 and Shareef says BNZ is currently forecasting it will be at 0.85 by the end of the year, however, given that BNZ will have to adjust its USD/JPY forecast as a result of Friday's news, NZD/JPY will also be marked higher. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2134 GMT [Dow Jones] OceanaGold (OGC.AU) is in a solid position to beat its FY14 production target, says J.P. Morgan, which also finds a lot to like in the **company's** revised **mining** plan for its Didipio **copper-gold** deposit in the Philippines. OceanaGold's strong 3Q output means it only needs to produce 24,000 troy ounces of **gold** in the final quarter of its fiscal year to meet the top end of its full-year guidance of 85,000-95,000 oz. The broker also says the revised plan for Didipio means underground

mining will now start in 2017, meaning it can access **ore** with better grades of **gold** earlier. "With the stock price well below our discounted cashflow-based valuation, and given the potential for the development of Blackwater (which is not in our valuation), strong balance sheet and leverage to **copper** prices, we remain overweight," J.P. Morgan says. OGC last traded at A\$2.00, offering 53% upside to the broker's revised A\$3.05/share price target. (david.winning@wsj.com; @dwinningWSJ)

2122 GMT [Dow Jones] J.P. Morgan retains an overweight call on Harvey Norman (HVN.AU), ups its price target by 10% to A\$4.21/share, after the Australian homewares and electricals retailer beats its forecast for 1Q sales. Harvey Norman reported same-store sales growth of 3.4% across its **operations** from Australia to the Republic of Ireland in the three months through September, above J.P. Morgan's expectations for a 2.3% increase. A 23.5% rise in quarterly pre-tax profits was also ahead of the broker's expectations. J.P. Morgan says its overweight call is underpinned by the prospect of increased sales on the back of a robust housing market, opportunity for franchisee margin expansion and the potential for capital management. HVN last traded at A\$3.80. (david.winning@wsj.com; @dwinningWSJ)

1945 GMT [Dow Jones] Recent good U.S. news and not-so-good **China** news likely to weigh on NZD/USD and "we expect to see it heading lower towards 0.7709 during the next few days," says Westpac Bank Senior Strategist Imre Speizer. He says the October rebound appears complete at 0.8034. A break below the key 0.7709 below then targets the mid-0.70's. "The U.S. dollar remains strong as data remains strong and Fed tightening looms. In contrast, the RBNZ will remain on hold during the year ahead while inflation remains weak," says Speizer. The pair is at 0.7760 early in New Zealand. (rebecca.howard@wsj.com; @FarroHoward)

To contact the Market Talk Editors,
Kevin Kingsbury, 212 416-2354, kevin.kingsbury@wsj.com
Cynthia Lin, 212 416-4403, Cynthia.lin@wsj.com
John Shipman, 212 416-2181, john.shipman@wsj.com
Patrick Sullivan, 212 416-2326, Patrick.sullivan@wsj.com

(END) Dow Jones Newswires

November 02, 2014 17:16 ET (22:16 GMT)

CO aanzb : Australia and New Zealand Banking Group Limited

IN i211 : Metal Ore Mining | i814 : Banking | i81402 : Commercial Banking | ibasicm : Basic Materials/Resources | ibnk : Banking/Credit | ifinal : Financial Services | imet : Mining/Quarrying

NS c21 : Output/Production | c152 : Earnings Projections | namt : All Market Talk | ndjmt : Dow Jones Market Talk | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | c15 : Performance | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Dow Jones & Company, Inc.

AN Document DJDN000020141102eab2000br