DOW JONES NEWSWIRES

HD **UK Market Talk Roundup: Brokers Comments**

WC 1,845 words

PD 29 January 2014

ET 00:55

SN Dow Jones Institutional News

SC DJDN

LA English

LP

Broker comments in the UK today. Compiled by Dow Jones Newswires Markets Desk, markets.eu@dowjones.com

Contact us in London. +44-20-7842-9464 Markettalk.eu@dowjones.com

TD

1355 GMT [Dow Jones] The **mining** sector has underperformed the wider Stoxx Europe 600 index in each of the last three years. However Nomura reckons that this could all be set to change. Analysts note that not only are free cashflow yields moving sharply upwards, but consensus earnings estimates have seen a sign change and are also now moving north. Nomura forecasts that **mining** earnings in FY14 will see an EPS increase of c.24% versus the wider market at c.14%. Analysts also argue that further upside potential could stem from better input-cost pricing dynamics, weaker commodity currencies and improved operational efficiency. Still, Nomura economists forecast a 30% likelihood of a "hard landing" in **China**, somewhat tempering the outlook for the sector. Nomura upgrades its recommendation on the European Metals & **Mining** sector to 'neutral' from 'bearish'. Nomura appears to be testing the water when compared to Citi, which two weeks ago turned bullish on European miners for the first time in three years. Nomura's top pick is BHP Billiton (BLT.LN) followed by Rio Tinto (RIO.LN)-- both rated at 'buy'. (nina.bains@wsj.com; Twitter: @NinaBains1)

1320 GMT [Dow Jones] BG Group (BG.LN) shares were in a spin Monday, falling by almost 15% after the **oil** and gas **company** cut production guidance for 2014. The **company** has delivered four downgrades to its production or earnings outlook over the past 18 months, further denting management credibility. Credit Suisse reckons that a number of issues raised yesterday should already have been known to management at the May or Sept 2013 updates, raising questions (yet again) over the information flow within the organisation. Credit Suisse does upgrade its recommendation on the stock to 'neutral' from 'underperform', as it reckons there could be some valuation support at these levels. Still, the bank argues that the future remains far from certain - while there are also tremendous uncertainties in the 'growth' drivers, Australia and Brazil. Meanwhile there's a sense of remorse in the air at JPMorgan, which downgrades the stock to 'neutral' from 'overweight', adding that it is "too late" to cut another notch. JPM reduces the price target to 1300p from 1550p, while Credit Suisse lowers its target to 1115p from 1200p. BG shares drop (another) 1.1% to 1070p, Tuesday afternoon in London.(nina.bains@wsj.com; Twitter: @NinaBains1)

1241 GMT [Dow Jones] Morgan Stanley issues a rather cautious outlook on G4S (GFS.LN), noting that trading conditions remain challenging for the security **company**. While 2014 is set be a transformational year, execution risks remain high, warns Morgan Stanley. Meanwhile, the "dispersed nature" of the business and competitive end markets will likely mean that management action may take time to show tangible benefits. "2014 will likely be a 'show-me' story and we see a risk of disappointment building during 2014 unless trading conditions improve or there are real signs of benefits coming through from the new strategy," says Morgan Stanley. Analysts initiate coverage of the stock at underweight with a price target of 235p. Shares fall 1.7% to 246p Tuesday. (nina.bains@wsj.com; Twitter: @NinaBains1)

1218 GMT [Dow Jones] Jefferies says Royal Bank of Scotland's (RBS.LN) announcement late Monday of unexpected provisions and various conduct-related and litigation charges should not alter the investment case on the stock. You might be surprised to learn, however, that Jefferies' investment thesis on RBS is that it's a 'buy'. Jefferies' bullish stance is predicated on the value it says it recognises in core operations. Analysts even go as far to say that the announcement was "helpful", as management has now provided some numbers around litigation risks. In addition, the capital impact looks manageable and was already factored into planning around the creation of the bad bank, Jefferies argues. Meanwhile, Investec Securities urges would-be "value investors" to stay patient as it reckons a transformed low-risk, low-cost UK retail/commercial bank will (eventually) be on its way. Investec upgrades its recommendation on the stock to 'hold' from 'sell'. The market's clearly looking for reasons to be bullish (or just not to be bearish on the stock perhaps) - RBS shares rise 1.3% to 337p lunchtime in London.(nina.bains@wsj.com; Twitter: @NinaBains1)

1156 GMT [Dow Jones] Shares in cruise line operator Carnival (CCL.LN) rally 2.7% to 2544p in London Tuesday after rival Royal Caribbean Cruises (RCL) reported 4Q revenue rose 2.7%, beating expectations. FY14 guidance is also positive, which could bode well for Carnival. Numis Securities reckons that Carnival's guidance may be upgraded when it reports 1Q numbers in early March, for two key reasons: Carnival has greater scope for yield and earnings recovery than RCL after the 2013 incidents on Carnival Dream (generator failure at St Maarten) and Triumph (engine room fire, adrift in Gulf of Mexico), and Carnival's geographic exposure is much more favourable than RCL. Carnival also has lower exposure to the Caribbean, where pricing pressures exist (and where all its technical problems seem to occur), while it also has a greater exposure to stronger markets like Europe, Alaska and Asia. Numis upgrades Carnival to 'buy' from 'hold' and raises the target price to 3000p from 2250p. (nina.bains@wsj.com; Twitter: @NinaBains1)

1115 GMT [Dow Jones] Shares in F&C Asset Management (FCAM.LN) get a second wind Tuesday, having rallied almost 25% the previous session, after the asset manager agrees a GBP 708 million takeover offer from BMO Global Asset Management, a wholly-owned subsidiary of Canada's Bank of Montreal. While F&C confirmed it was in talks with BMO about a possible offer Monday, the agreement to the takeover Tuesday, alongside the company's 4Q IMS, serves to juice the stock for a second session. Shore Capital says retail flow performance remained relatively good and institutional flows recovered strongly. Meanwhile, the deal with BMO represents good value for F&C shareholders, adds Shore. Other analysts also highlight that the length of time needed for regulatory approval could bring other potential bidders into the arena. F&C shares add 4.8% Tuesday in London, to 122p.(nina.bains@wsj.com; Twitter: @NinaBains1)

1044 GMT [Dow Jones] Afren's (AFR.LN) trading statement Tuesday confirms a strong performance in 2013, as the oil and gas explorer delivered US $1.65 billion in revenues and over US $1.1 billion in operating cash flow, notes BofA-ML. And investors should expect higher returns in 2014. Analysts note that Afren will again likely spend in excess of US $200 million on E&A this year, including spudding seven wells targeting more than 1 billion barrels of oil equivalent gross. There is the potential for further exploration upside: in Kurdistan, a declaration of commerciality has been submitted on Simrit-3 whilst a result on Maqlub-1 is expected near-term. BofA-ML rates the stock at 'buy' with a revised price objective of 245p from 255p. Afren shares are among the strongest on London's FTSE 250 index today, up 4.6% to 152p. (nina.bains@wsj.com; Twitter: @NinaBains1)

1001 GMT [Dow Jones] UK's FTSE 100 index trades in the black, up 0.4% at 6576.54, staging a modest recovery following four straight sessions of losses. UK GDP figures are in line with expectations and, as such, pass with little fuss. Output in the economy grew 0.7% between October and December, down from a 0.8% expansion rate in the two prior quarters. ARM Holdings is down 2.7%, sinking to the bottom of the FTSE 100. The technology sector lags other sectors in Europe after Apple disappointed with 1Q results late Monday. On the upside, shares in cruise operator Carnival rally 3.4% after an equity rating upgrade and as rival Royal Caribbean 4Q revenue beat expectations. Trading is likely to remain rangebound ahead of the next round of US data, with durable goods orders at 1330 GMT and consumer confidence at 1500 GMT, and as the two-day US FOMC meeting gets underway.(nina.bains@wsj.com; Twitter: @NinaBains1)

0937 GMT [Dow Jones] Royal Bank of Scotland's (RBS.LN) announcement late Monday of unexpected provisions to cover a raft of litigation and conduct issues has raised major concerns over the bank's capital. UBS notes that the group's core tier 1 ratio will now likely be at the low end of European banks, and some 150bp below Lloyds (LLOY.LN) and Barclays (BARC.LN). Analysts reckon that this might raise concerns over an equity capital raise. However, UBS says given the level of Government ownership, this outcome will likely not happen at RBS. Instead, UBS thinks it is more likely that businesses will be shrunk/sold to boost capital, forcing shareholders to accept dilution. News of extra PPI provisions at RBS is negative for both Lloyds and Barclays, says UBS. In particular, at Lloyds a large additional PPI provision could drive a statutory loss for the year and perhaps even prevent a dividend being paid in respect of 2013, adds UBS. Analysts rate RBS at 'sell' with a price target of 300p. Somewhat unexpectedly, RBS shares rise 1.8% to 338p in London this morning. (nina.bains@wsj.com; Twitter: @NinaBains1)

28 Jan 2014 08:55 EDT UK Market Talk Roundup: Brokers Comments -2-

0919 GMT [Dow Jones] Royal Bank of Scotland (RBS.LN) shares closed down over 2% Monday after warning of a surprise GBP 3 **billion** provision and drop in its capital levels in its year-end results. The bank also commented that it had "accelerated the bad bank sell-down ahead of plans". Bank of AmericaMerrill Lynch says that it had modeled most of the losses announced for 4Q13 in its 2014-2015 estimates. While this might suggest it was simply a matter of timing, BofA-ML worries there may be further balance sheet reduction/restructuring to be announced. Analysts note that Barclays (BARC.LN) has already topped up its PPI and Swaps provisions significantly, alongside its rights issue, and as such they expect no further losses there. However, there is a potential read across to Lloyds (LLOY.LN) on PPI, reckons BofA-ML. Benchmarking Lloyds to RBS would imply a further GBP 900 **million** in charges compared to GBP 1 **billion** embedded in BofA-ML's estimates. The bank rates RBS at 'underperform', with a price objective of 280p. RBS trades +1.1% at 336p in London this morning.(nina.bains@wsj.com; Twitter: @NinaBains1)

```
Contact us in London. +44-20-7842-9288
Markettalk.eu@dowjones.com
```

(END) Dow Jones Newswires

January 28, 2014 08:55 ET (13:55 GMT)

CO antofg : Antofagasta PLC | rtz : Rio Tinto PLC | zealc : First Quantum Minerals Ltd | craaus : Rio Tinto Ltd | lksic : Grupo Luksic

IN i211 : Metal Ore Mining | i224 : Non-ferrous Metals | imet : Mining/Quarrying | i22 : Primary Metals | ibasicm : Basic Materials/Resources | i2114 : Copper Ore/Nickel Ore Mining

NS c1521 : Analyst Comments/Recommendations | c151 : Earnings | c152 : Earnings Projections | c181 : Acquisitions/Mergers/Takeovers | ccat : Corporate/Industrial News | namt : All Market Talk | ndjmt : Dow Jones Market Talk | nenac : Energy Asset Class News | neqac : Equities Asset Class News | nfiac : Fixed Income Asset Class News | nsmcm : Stock Market Commentary | c15 : Performance | c18 : Ownership Changes | cactio : Corporate Actions | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

RE austr : Australia | cabc : British Columbia | cana : Canada | chil : Chile | eurz : Europe | london : London (UK) | uk : United Kingdom | apacz : Asia Pacific | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries | eecz : European Union Countries | eland : England | lamz : Latin America | namz : North America | samz : South America | weurz : Western Europe

PUB Dow Jones & Company, Inc.

AN Document DJDN000020140128ea1s001vy