

HD Australian Equities Roundup -- Market Talk
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0138 - Women's athletic-wear maker Lorna Jane is attracting a flurry of suitors as companies try to bolster exposure to a hot part of the retail sector. Foot Locker (FL) and private-equity firms Advent and Bain are among the companies which have placed first-round bids for the yoga and exercise-gear maker. Mainstream retailers have been trying to boost their athletic offerings, especially following the success of Lululemon (LULU). Gap (GPS) competes with its Athleta brand while VF Corp. (VFC) has Lucy. (dana.mattioli@wsj.com; @DanaMattioli)

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0818 - A move lower in AUD/NZD signals further weakness in the pair in the days ahead, says Westpac. "It's back in the old 1.0550-1.0900 range, with a slight negative medium-term bias. At some point the market will start pricing in RBA tightening and a significant rally will ensue, but that's a story for late this year." The pair is at 1.0651. Westpac says that its a lightweight day for data with NZ food prices and housing data and Australian home loans data minor for the markets. It adds that pair may head toward 1.0540 over the next couple of days. (lucy.craymer@wsj.com; @lucy_craymer)

0825 - JPMorgan keeps its Overweight rating on Transurban (TCL.AU), saying it's still a solid defensive stock, after 4Q traffic and revenue data. The broker expects an 11.5% rise in FY 2014 group proportionate earnings before interest and tax, after net corporate expenses, and a 7.4% increase in FY 2014 earnings per share to 31.2 cents. Target price creeps up to A\$8.29. FY14 results are due August 5. TCL last A\$7.58. (david.rogers@wsj.com; @DavidRogersWSJ)

0903 - Credit Suisse slashes Energy Resources (ERA.AU) to Underperform from Outperform after disappointing results from its Ranger Deeps exploration program. It says mining will be more expensive than previously assumed, after ERA said some geotechnical conditions have been encountered that are less favorable than assumed in the Order of Magnitude study. "We doubt this revised resource will be large enough to have the Commonwealth Parliament extend the tenure of the Ranger Project Area past the Jan '21 end date," the broker says. "And with the collapse of the uranium price, higher mining costs, and only a five-year mine life, we consider a Deeps mine would struggle to create any value." Target falls 67% to A\$0.50. (david.rogers@wsj.com)

0914 - An improvement in Australia's housing construction market is boosting profits at building materials company CSR, but its shares have run a little too hard, says Bell Potter, which cuts its recommendation on the stock to hold from buy. CSR is trading at a modest 6% premium to its peer group, reflecting a potential 50% jump in its FY15 earnings, the broker says. It's bumped up its price target to A\$3.79 from A\$3.70, given the brighter outlook for its aluminum business as prices for the commodity rise. CSR was last at A\$3.66. (Ross.Kelly@wsj.com)

0925 - Credit Suisse lifts Crown Resorts (CWN.AU) to Neutral from Underperform after the share price approached its target. The broker's Asian gaming team anticipates Melco Crown Entertainment will recover as the World Cup no longer diverts gaming budgets and junket lending rebuilds after a murky bad debt situation. "However, we lowered our Crown EPS forecast by 4%-9% to reflect the relatively weak 2Q likely experienced by MPEL," Credit Suisse analysts Larry Gandler and Ben Levin say. Target price rises to A\$16.30 from A\$15.00. Last A\$15.43. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0931 - It's time for investors to rebalance portfolios away from Australian yield stocks, with many retail investors holding 80% of the funds in banks and Telstra (TLS.AU), marketmatters.com.au principal

Shawn Hickman says. He expects high-yield equities to fall sharply as U.S. interest rates rise, and warns that Aussie bank shares could suffer Friday after Portugal's largest listed bank plunged 18% after delaying some debt payments. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0946 - Australia's S&P/ASX 200 is expected to suffer from European debt concerns, with overnight SPI 200 futures down 0.4% after Banco Espirito Santo deferred a debt repayment, pushing its stock down 18% before trading in its shares and **bonds** was halted. While the S&P 500 pared a 1% fall after Portugal's central bank said Banco Espirito Santo is protected, a potential default by Portugal's biggest bank could rekindle wider concern about European debt. "Is this an isolated event or is it the first **chink** in the chain to fire contagion fears?" IG strategist Evan Lucas says. "These issues have always been simmering and the data has suggested that normal setting in these economies is still a long way off. The fiscal support across the region would suggest support will come quickly, but that is unlikely to quell the rush for the exit." Index last 5464.4. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

0957 - Sustained weakness in **coal** prices and a relatively high Aussie dollar has J.P. Morgan questioning whether Whitehaven **Coal** Ltd. (WHC.AU) will be able to get its Maules Creek project over the line without having to find extra cash. "To-date, management has been comfortable that the A\$1.2 **billion** in debt facilities is sufficient to pay for Maules Creek," says analyst Mark Busuttill. "However, with **coal** prices remaining weak and the Australian dollar still strong, there is a risk--albeit not our base case--that additional funding will be required." J.P. Morgan cut its price target to A\$2.00 from A\$2.25, but keeps an overweight rating on the stock. Whitehaven closed unchanged Thursday at A\$1.445 a share. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

1028 - Australia's S&P/ASX 200 is down 0.4% at 5444.1, matching an overnight fall in the S&P 500, after Banco Espirito Santo deferred a debt repayment, pushing its stock down 18%. Banks and **iron ore** miners are weighing on the market, with the 4-major banks down 0.4%-0.5% and Rio Tinto (RIO.AU), Fortescue (FMG.AU) and Atlas **Iron** (AGO.AU) down 1.0%-4.8%. Focus now turns to domestic housing finance data at 0130 GMT. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

1033 - Scentre Group (SCG.AU), the **company** that has all the Australian and New Zealand shopping malls once owned by Westfield (WFD.AU), is a stand-out among domestically focused Australian REITs, says Deutsche Bank, which initiates coverage with a buy recommendation and A\$3.65 price target vs. the A\$3.20 latest trade. The market still isn't recognizing the value of Scentre's development and property management platform, the broker says, while looming assets sales worth around A\$1.2 **billion** to reduce debt levels won't be the earnings killer some people expect, it adds. (Ross.Kelly@wsj.com)

1041 - Australian May housing finance approvals data are due at 0130 GMT. The median estimate of 19 economists surveyed by the WSJ is for a 0.5% fall in the number of owner-occupied finance approvals, and the range is -2% to +1%. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

1054 - AUD/USD resilience to news that Portugal's Banco Espirito Santo (BES) missed debt payment hints at safe-haven characteristics, but it will suffer if volatility rises further in response to contagion worries, according to NAB. "Markets are left torn between viewing this news as BES-specific or something more systematic," says Ray Attrill, NAB's Global Co-Head of FX Strategy. He notes that the most likely solution is a state-brokered rescue deal for BES, but cautions that volatility is unlikely to subside quickly. Also, restraining the Aussie is rising expectations of another interest rate cut between February and April 2015, after the domestic jobless rate hit a fresh 11 year high of 6.02% in June. AUD/USD last at 0.9388. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

1131 - Mixed labor data has been keeping the Australian dollar under pressure recently, Credit Agricole CIB says. But the bank doesn't expect the latest news to make the Reserve Bank of Australia turn more dovish because it has already anticipated additional labor-market weakness. Credit Agricole says RBA rate expectations are unlikely to change considerably and the currency will be driven more by international risk sentiment. The bank expects that to stabilize again and, accordingly, "the AUD should be bought on dips--for instance against the USD," the bank says. Spot AUD/USD was recently at 0.9383 compared with 0.9390 in late New York trade Thursday. (jerry.tan@wsj.com)

(END) Dow Jones Newswires

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