

HD Macquarie on Track for Further Performance Fees, UBS Says -- Market Talk**WC** 1,485 words**PD** 16 September 2014**ET** 09:30**SN** Dow Jones Institutional News**SC** DJDN**LA** English**CY** Copyright © 2014, Dow Jones & Company, Inc.**LP**

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)

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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 Bionics' 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)

18:07 EDT - Shares of Brazilian steelmaker Companhia Siderurgica Nacional (CSNA3.BR) surge on news that a steel plant the **company** had reportedly hoped to **buy** in Kentucky will be **sold** to US steelmaker Nucor (NUE) for \$770M. CSN has been in the market to **buy** US steel assets for more than a year but has repeatedly come up short. In July the **company** lost a bid for the US **operations** of Russian steelmaker Severstal, while earlier this year Germany's ThyssenKrupp agreed to sell an Alabama mill to ArcelorMittal and Nippon Steel. CSN shares gain 2.9% today to close at BRL9.67.
(paul.kiernan@wsj.com)

17:59 EDT - Central-bank autonomy is a subject that shows up in Brazil's political debate every now and then, but a tight presidential campaign has given the subject a higher profile. As opposition candidate Marina Silva shot up on the polls to challenge incumbent Dilma Rousseff, a proposal for central-bank autonomy buried on Silva's government program was picked up by Rousseff's camp, who says the move was tantamount to empowering bankers and taking food out of the working family's table. Former central-bank President Gustavo Franco wrote in an op-ed piece for O Globo newspaper Sunday, about the debate: "In two weeks, the evolution of Brazil's monetary institutions regressed a decade or more."
(paulo.trevisani@wsj.com; @ptrevisani)

17:56 EDT - Nucor's (NUE) **purchase** of Ghent, Kentucky-based Gallatin Steel from Gerdau (GGB) and ArcelorMittal (MT) for \$770M will add around 20c per share on a cash basis to NUE's 2015 earnings, KeyBanc says. "We see operating income of \$95 **million**," excluding **purchase** price accounting adjustments, the **firm** writes. Before the announcement, Gallatin was generating roughly \$140M-\$150M annually in Ebitda, before interest, taxes, depreciation and amortization, Keybanc estimates.
(john.miller@wsj.com)

17:49 EDT - Brazil's crude steel production fell to 2.9M metric tons in August, down 1.4% from a year earlier, the Brazilian Steel Institute said today. Exports rose slightly, but domestic consumption tumbled 17% year-on-year to 2M tons. Brazil's steel sector is stuck between a rock and a hard place, with a recession hurting the domestic market and huge oversupply in the international market keeping a lid on exports. (paul.kiernan@wsj.com)

17:40 EDT - It might soon be illegal for businesses to keep pay under wraps. The US Department of Labor announces a proposed rule that would ban federal contractors from having pay-secrecy policies. Under the proposal, federal contractors and subcontractors wouldn't be able to fire or discriminate against employees or applicants for discussing, disclosing or inquiring about their pay or that of other workers. Rules for federal contractors often influence policy for other employers because federal contractors comprise such a large number. The rule, published in the September 17 Federal Register, is open for public comment for 90 days. (rachel.silverman@wsj.com)

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