

HD JENNY PRABHU'S HOT & SPICY CURRY SHOP

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the day's menu

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The S&P/ASX 200 as at 2:46pm up 10.7 to 5444.5

China's industrialisation is slowing significantly ..

Nomura in ex Japan research has tabled the first half of a two part series looking at the pace of urbanisation in **China** slowing and tomorrow, at the major consequences of the slowdown.

In the first part today Nomura says, "**China**'s government driven urban expansion faces binding constraints. It has been financed by government debt and land sales, while fiscal conditions have deteriorated sharply .. If we consider the land used in the government driven urban expansion as a limited natural resource, one can argue that the practice puts **China** at risk of suffering a bout of "Dutch disease" - where countries relying on natural resources suffer productivity slowdowns as their manufacturing sectors shrink.

Nomura says government driven urban expansion has crowded out other industries' access to resources.

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"We should see a multi-week decline, starting .. on Monday"

Daniel Goulding in "The Sextant Report" (thankyou Daniel) says, "I expect that my objective of circa 5500 points for early March will prove to be the penultimate peak. We should see a multi-week decline, starting with probably a bearish engulfing pattern on Monday, back to 5230 to 5270 points before the final run higher into early mid April where a marginal new high should be printed. .. I expect the ASX200 to bottom in late 2016 near 4300 points .. my tentative long term count suggests that a secular bull market is due to commence sometime this decade, potentially as early as 2016".

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*QBE is a "buy"/a "hold"/an "equal weight" ..

Nomura following QBE's result retained its "buy" recommendation and \$14.50 price target after QBE's result, commenting it was the end of a year to forget.

*Another leading broker also retained a "buy" with a price target of \$15. The broker said the result has increased its conviction in QBE's ability to deliver full year 2014 reported ITR guidance of 10% and outer year expansion (the broker expects by 12% in 2015 and 13% in 2016 with upside risk).

*Another leading broker also retained a "buy" and lifted its price target to \$13.50 from \$13. The broker said it was a messy 2013 result, but no messier than it had expected. "We believe there are sufficient benefits flowing through in full year 2014 to support guidance".

*Two other leading brokers retained "hold" and "equal weight" recommendations with price targets of \$12.56, up from \$12.37 and \$12, up from \$11.70 respectively.

The brokers said QBE has worked hard to draw a baseline under performance, but the timeline to an uptick in turnaround remains hard to call. The other leading broker said market fundamentals are challenging, the balance sheet risks stabilising.

QBE up 61c to \$12.88

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Crown remains an "overweight", price target cut ..

A leading broker said it thought the most notable aspect of Crown's first half result was the sharp drop in CWN's VIP turnover. The broker said this is not a new trend, with Australia's share of the Asian regional VIP market declining from 7% to 3%.

The broker said reasons include under investment by Australian casinos in their properties, higher VIP tax in Australia and more attractive commission and credit availability provided to VIP/junkets in Macau.

The broker adds, "But our positive thesis remains intact - own CWN for unique exposure to high growth MPEL/Macau and new Asian markets". The broker retained an "overweight" but reduced the price target from \$19 to \$18.50

(Our note: the report was issued before this morning's Melco dividend announcement).

CWN up 5c to \$17.11.

Diggers & Drillers

AWE is a "buy"/a "hold"/an "underweight" ..

*A leading broker with a "buy" retained on AWE said it was a solid result, but Ande Ande Lumut has been delayed again. It sees plenty of growth catalysts ahead for AWE, with NZ drilling the first in line. It reduced its price target to \$1.87, down from \$1.93.

*Another leading broker with a "hold" on AWE and a price target of \$1.55 said while AWE has a number of growth opportunities across its portfolio, we continue to see development of the AAL oil project as key to the company's fortunes. Greater clarity round Aal capex is positive, however further development delays point to the project's challenges.

*Another leading broker with an "underweight" said AWE reported a statutory NPAT of \$81.7 million in first half off 2014 mostly on higher production . Most of the profit was attributable to the gain on the sale of a 50% stake in the AAL project. The broker has a \$1.30 price target on AWE.

AWE up 4.5c to \$1.45.

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Alacer's is the "drill hole of the day" ..

Leading broker said Alacer's intersecting 12m at 11.7gpt Au, 190gpt Ag and 0.39% Cu from a depth of 21m at its Dursunbey exploration project in western Turkey is the "drill hole of the day". The first phase of drilling was completed in 2013 with today's release providing the initial drilling result. The broker said it has a "buy" on Alacer with a target price of \$3.20.

AQG steady at \$3.07

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