

HD Management, Strategy Uncertainty to Weigh on SAI Global: DB -- Market Talk

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23:27 GMT [Dow Jones] Investors rueing SAI Global's (SAI.AU) decision to abandon its strategic review after failing to garner compelling bids have little to lift their mood, Deutsche Bank says. "We believe uncertainty relating to management and strategy will likely continue to weigh on the share price until resolved," says Deutsche analyst Dominic Rose. SAI Global had attracted interest from Pacific **Equity** Partners and KKR & Co. (KKR), but a formal bid didn't materialize. Still, private **equity** should keep SAI Global on their radar screens.

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Deutsche reckons buyout firms could achieve a 20% internal rate of return when bidding between A\$4.14 and A\$4.86 per share. The broker rates SAI Global at hold, retains a A\$4.75 price target. SAI last traded at A\$3.57. (david.winning@wsj.com; @dwinningWSJ)

23:25 GMT [Dow Jones] Fonterra made a significant adjustment lower to its overall 12-month GDT (global **dairy** trade) volume forecast last week, says Eric Meyer, an analyst with Chicago brokerage **firm** HighGround Trading. He notes the 4.4% drop in the volume forecast was its sharpest downward revision since September 2013 but "this does not necessarily mean prices are headed higher in the near term." If **China** does not return as an "aggressive buyer" GDT prices could continue drifting in a narrow range over the next two months, says Meyer. He also notes global **milk** supplies continue building at a sharply higher rate versus last year and this will continue to weigh on the market. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

23:25 GMT [Dow Jones] The Australian dollar has drifted lower on the back of warnings from the central bank that the Aussie dollar remains overvalued, despite a sharp 6% fall through September. The Aussie has fallen to around US\$0.8750 from US\$0.8765 since the remarks by RBA Assistant Governor Guy Debelle that highlighted the fact that the Australian dollar must continue to slide to keep pace with falls in key commodity prices like **iron ore**, which is down nearly 40% in 2014. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

23:25 GMT [Dow Jones]--UBS analyst Nik Burns expects Chevron (CVX) will take part to a second phase of exploration for unconventional gas in the Nappamerri Trough in central Australia with Beach **Energy** (BPT.AU). Concerns around Chevron's ongoing commitment contributed to Beach **Energy** falling 16% in the three months through September, making it the worst-performing stock among Australia's major **energy** companies. Beach **Energy** says Chevron must decide whether to move to Stage 2 in the Nappamerri Trough in Queensland state by March 31, which would trigger payments of US\$77 **million** in cash and US\$41 **million** to cover Beach **Energy's** own exploration costs. UBS rates Beach **Energy** at neutral, with a A\$1.45/share price target. BPT last traded at A\$1.30. (david.winning@wsj.com; @dwinningWSJ)

11:21 GMT [Dow Jones] Network executives have now had a few days to let a small error at measurement **firm** Nielsen sink in. The upshot? The reissued ratings ticked down slightly for ABC but increased slightly for the other big broadcasters. NBC's "The Voice," for example, saw its season premiere grow from a rating of 3.9 to 4.1 in the crucial 18- to 49-year-old demographic, a person familiar with the matter said. Importantly, Nielsen discovered and corrected its error before the scheduled release of "C3" **commercial** ratings, which factor in live viewing plus three days of digital recording and form the basis for advertising deals. The error therefore won't impact networks' bottom line, but will erode confidence in Nielsen at a time when networks are already perturbed at the measurement **firm**, arguing

its figures understate networks' digital audience across mobile devices and tablets.
steven.perlberg@wsj.com

2322 GMT [Dow Jones] New Zealand's **milk** season is off to a strong start despite lower prices. In the June to September period, **milk** collection was up 4.5% on the year, **dairy** giant Fonterra says. **Milk** collection was up 3.9% in September versus the same month a year earlier. "Despite some unsettled weather, favourable pasture growth in the North **Island** has helped maintain early season volumes above last year's levels," Fonterra says. Volumes are approaching peak collection for the season, which is forecast for mid-October 2014. (rebecca.howard@wsj.com; Twitter: @FarroHoward)

2322 GMT [Dow Jones]--Sentiment in the **iron-ore** market is vastly more bullish after strong **Chinese** import data and robust demand from the world's No. 2 economy post-Golden Week holidays. But analysts caution the jump could be little more than a dead-cat bounce without more strong indicators to back it up. "Further supportive **Chinese** data will be needed to sustain the overnight rally in **iron ore** as yesterday's support from import figures is unlikely to linger," analysts at ANZ write in a note. **Iron-ore** prices rose 4% Monday, to US\$83.10/ton. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2320 GMT [Dow Jones] The spot price for **iron ore** may well have bottomed for the year and could edge back up to \$95/ton, which make it opportune to **buy** or short-cover leveraged Australian **iron-ore** equities, suggests Bell Potter Securities executive director Charlie Aitken. "Don't worry about analyst valuations or any of that. They meant nothing on the way down and will mean nothing on the way back up," he says. "This is about spot **iron ore** bottoming and **iron-ore** equities following the spot price as leveraged derivatives of that spot price." Still, if investors are looking for stocks to sell, Aitken says they should consider the **energy** sector as **oil** prices continue to fall sharply. Overall, he shifts his tactically bearish stance on Australian equities to neutral. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2320 GMT [Dow Jones]--Morningstar remains upbeat about James Hardie's (JHX.AU) medium-term earnings outlook and an improving operating environment, particularly as the U.S. housing market improves. A key driver for the **company** is its cost advantage, which is underpinned by a commitment to research and development that has delivered a number of patents on its leading products. The investment-research **firm** expects the building materials **company** will file patent applications in the next few years, extending its market leadership. "Competitors will be forced to spend more money on manufacturing and material to compete effectively, which we do not envisage," analyst Tim Mann says. Morningstar has a reduce recommendation and A\$12/share fair-value estimate. JHX last traded at A\$11.28. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

2319 GMT [Dow Jones] UBS lifts James Hardie Industries PLC (JHX.AU) from Sell to Neutral, citing recent Australian dollar weakness and a positive outlook for the U.S. housing industry. The broker estimates that every 1 cent move in the currency has added 0.8% to the **company's** Australian dollar earnings, and says further falls are possible. UBS says U.S. housing starts are expected to grow by 15% in the next two years. "Longer term, the millennials should boost starts as this age **group** moves out of home." Lifts target price to A\$12.25 (\$10.63) from A\$11.85. The stock last traded at A\$11.28. (rebecca.thurlow@wsj.com; @beckthurlow)

2318 GMT [Dow Jones]--Growthpoint Properties Australia (GOZ.AU) has limited headroom for acquisitions, says UBS, which rates the stock at neutral. "We estimate Growthpoint Properties has capacity to **acquire** around A\$150 **million** additional assets before exceeding the maximum target gearing of 45%," UBS says. If Growthpoint Properties spends A\$100 **million** on acquisitions, UBS thinks earnings would increase by around 1.3% in FY15 and 2.5% in FY16. That assumes a 7.4% yield and 4.5% incremental debt cost. UBS lifts Growthpoint Properties's price target by 4.9% to A\$2.59/share. GOZ last traded at A\$2.65. (david.winning@wsj.com; @dwinningWSJ)

2235 GMT [Dow Jones] -- Australia's central bank said Tuesday a sharp decline in the Australian dollar since early September will do some good for the economy, but the currency remains fundamentally overvalued and needs to go lower. Guy Debelle, assistant governor (financial markets) at the Reserve Bank of Australia, said a lower currency was needed to help the economy rebalance as a decadelong **mining** investment boom fades and commodity prices tumble. "Australia's terms of trade has continued to decline and some key commodity prices for Australia, most notably the **iron ore** price, have declined considerably. On that basis, the Australian dollar is still higher than most conventional estimates of fundamentals would indicate," Mr. Debelle said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

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