

HD NAB's U.S. Exit Should Free Up Capital, Bell Potter Says -- Market Talk

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2357 GMT [Dow Jones] Bell Potter nudges up its price target on National Australia Bank (NAB.AU) to A\$37.50/share from A\$37.20 on news the lender plans to sell a minority **stake** ahead of a full exit from its South Dakota-based subsidiary. The Great Western unit's book value implies some US\$700 **million** in tier 1 capital will be freed up for lending at a higher return on **equity** or possibly returned to shareholders, Bell Potter says. It anticipates a U.S. IPO will value Great Western at US\$1.4 **billion**, or 1 times book value. Its **buy** recommendation is retained. NAB last traded at A\$35.20. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

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2353 GMT [Dow Jones] Spot USD/KRW is likely to trade with a bullish tone Monday as USD sentiment gets a lift from stronger-than-expected U.S. August ISM Chicago PMI and final University of Michigan U.S. August consumer sentiment index data. But KRW sentiment was boosted Friday by 3.4% on-year rise in South Korea July industrial production index (versus forecast +2.7%). KRW vulnerable to 0000 GMT South Korea August trade balance, 0000 GMT HSBC South Korea August manufacturing PMI data. Dow Jones technical analysis shows USD/KRW daily price chart still negative-biased as five- & 15-day moving averages declining, although the slow stochastic indicator is at oversold levels. Resistance is at 1,016.8 (Friday's high); breach would expose upside to 1,022.3 (base of daily Ichimoku cloud), then 1,023.0 (Aug. 25 high, near middle 20-day Bollinger Band). Support at 1,013.0 (Thursday's low), then at 1,008.9 (July 4 swing low, near lower 20-day two-standard deviation Bollinger Band). Spot USD/KRW closed at 1,014.0 in late Asia on Friday. (jerry.tan@wsj.com)

2348 GMT [Dow Jones] The Australian economy likely stagnated in the second quarter, said J.P. Morgan's chief economist in Australia, Stephen Walters. Partial GDP data on **company** profits, inventories and net exports to be publish Monday and Tuesday ahead of the GDP release on Wednesday will further shape JPM's forecast, but Walters say he can't rule out a negative print. This "would spook" those reluctant to cut interest rates at the Reserve Bank of Australia, he added. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2344 GMT [Dow Jones] Offshore accounts at 5 foreign brokerages place net **buy** orders for 1 **million** Japanese shares overnight, according to traders. The net buying may be positive for the market at the open, although the yen value basis of the figures is unknown. **Buy** orders total 6 **million** shares, with sell orders amounting to 5 **million** shares. (bradford.frischkorn@wsj.com)

2341 GMT [Dow Jones] New Zealand's terms of trade surprised by eking out another small increase in 2Q, maintaining its position at a four decade high, says Westpac economist Michael Gordon: The "results don't alter the broader picture for the terms of trade." Gordon adds the greater share in the fall in **dairy** prices will be captured by product that is shipped during the September and December quarters: "We expect the terms of trade to fall by around 10% over the next year, though it should be noted that we see the recent softening in export prices as a temporary factor, as **Chinese** buyers work through a build-up of inventories." (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

2335 GMT [Dow Jones] -- Activity across Australia's manufacturing sector contracted in August as the persistent strength of the Australian dollar put a dent in confidence. The Australian Industry **Group's** Performance of manufacturing Index fell 3.4 points to 47.3 in August from July, with a drop below a reading of 50 points indicating a decline in activity. Only the large food, beverages & tobacco and the smaller wood and paper products subsectors expanded in August. A decline in new orders during the

month ended three months of promising expansion, the report said. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2326 GMT [Dow Jones] J.P. Morgan cuts Transfield Services (TSE.AU) to Underweight from Neutral, saying earnings momentum has pushed the shares too hard in light of gearing risks. "TSE has done well to achieve cost out and structural change through FY14. But, we believe the share price is not reflecting the challenges in TSE's end markets and risks relating to TSE's high gearing," the broker says. Degearing revealed in the **company's** FY14 result was lower than the broker expected. Operating cash flow was 75% below expectations while net debt of A\$533.7 **million** was down only A\$8.8 **million** over 12 months. That leaves gearing elevated at 41.4%. The broker says further cost reductions in Australia and New Zealand are limited and competition could increase in Australia, eroding margins, as engineering activity slows. Lifts price target to A\$1.35 from A\$1.13, versus A\$1.75 last trade. (rebecca.thurlow@wsj.com; @beckthurlow)

2325 GMT [Dow Jones] The steep fall in **iron-ore** prices since January led Grange Resources (GRR.AU) not to pay an interim dividend, and J.P.Morgan doesn't think payouts will resume later this year either. That is despite Grange's cash balance remaining healthy at A\$109 **million** at end-June, representing around 40% of the **company's** current share price. J.P.Morgan had expected to declare a 1 cent/share dividend alongside its 1H results. The broker rates Grange, which reported A\$50 **million** underlying Ebitda for the six months through June, at overweight with 40% upside to its last traded share price of A\$0.165. (david.winning@wsj.com; @dwinningWSJ)

2317 GMT [Dow Jones] -- The USD/JPY likely will be stuck in the 103.60-104.50 range in Asia trade, with investors unable to move ahead of a slew of events later this week such as the European Central Bank's policy meeting and U.S. jobs data, says IG Securities market analyst Junichi Ishikawa. **China** PMI data are in focus, especially on how the AUD/USD will affect the USD/JPY. But "That will be short-lived," if any, he says. The pair is at 104.13 against 104.08 in New York late Friday. Mr. Ishikawa also says investors need to be cautious about downside risk of the EUR/USD to break below 1.3100, but the pair may be vulnerable to short-covering due to a lack of fresh cues during Asia trade. The pair is tipped in a 1.3100-1.3200 range and is now at 1.3134. (hiroyuki.kachi@wsj.com)

2320 GMT [Dow Jones] J.P. Morgan initiates Nine Entertainment (NEC.AU) at Overweight with a A\$2.42 target price. The broker favors Nine's strong FY15 TV revenue share growth outlook, forecasting a 0.8% increase to 39.5%, assisted by the **acquisition** of the Perth/Adelaide Metro TV stations and the positive effect of the Cricket World Cup. It also expects the **company** to be well placed in any future media consolidation. NEC last A\$2.06. (david.rogers@wsj.com; Twitter: @DavidRogersWSJ)

2313 GMT [Dow Jones] -- Although Virgin Australia's (VAH.AU) financial position gradually should improve, and it could reach break-even by FY17, its share price is being kept artificially high by its three big airline backers, says J.P. Morgan, which keeps an underperform recommendation on the stock. State-backed Air New Zealand, Singapore Airlines and Etihad own around 70% of the Australian carrier. Its moves to snatch market share from Qantas (QAN.AU) are working, but expensive. "While we believe that the transformation of Virgin Australia into a full service domestic carrier and its low-cost carrier in Tigerair will pay off in the medium term, we believe it may end up costing more to do so," the broker says. It lifts its share-price target to A\$0.35 from A\$0.30 vs. the shares' last trade of A\$0.415. (Ross.Kelly@wsj.com)

2302 GMT [Dow Jones] -- Credit Suisse lowers its forecast for Sandfire Resources' (SFR.AU) FY15 net profit by 13 **million** Australian dollars (US\$12.1 **million**) after the Australian **copper** miner outlines higher exploration and corporate expenses. It adds that the profit reduction would have been A\$9 **million** deeper were it not for a concentrate shipment that took place a few days after FY14 ended, even though production had occurred earlier. Credit Suisse expects Sandfire to report net income of A\$76.5 **million** in FY15, with a full-year dividend of 16.28 cents a share. That came after Sandfire unveiled a maiden dividend of 10 cents/share alongside its FY14 results. The broker rates Sandfire at underperform with a A\$5.72 price target. SFR last traded at A\$6.34. (david.winning@wsj.com; @dwinningWSJ)

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