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THE WALL STREET JOURNAL.

Markets

European Stocks Need to Show Earnings Power; European stocks have raced higher. The importance of seeing earnings rise is now paramount.

By Richard Barley
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WSJO
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It looks like third time lucky for European stocks.

While U.S. indexes like the S&P500 and Dow Jones Industrial Average have long ago surpassed their previous record highs, the Stoxx Europe 600, up more than 19% this year, has only just crossed a mark left some 15 years ago . Even in the heady days of 2007, the index failed to beat its prior March 2000 peak.

Of course, such levels are largely psychological rather than statistically significant. But given what Europe has been through in the past few years, they still matter—particularly since investors have seen the two previous peaks give way to savage bear markets.

There is no doubt that European equities are no longer obviously cheap, trading on a multiple of around 16.6 times the next 12 months' earnings, according to FactSet. And while it is true that stocks are cheap relative to bonds, that argument is weakened by the fact that bonds are stupefyingly expensive. Just look at the widespread nature of negative yields for proof of that.

But Europe has some powerful forces on its side. First, and most obviously, the European Central Bank is only at the start of its campaign to pump liquidity into markets by purchasing €1 trillion-plus ($1.08 trillion) of bonds. Credit markets should thus remain supportive for equities. The ECB's actions are coinciding with a eurozone recovery that started to emerge late last year, helped by the fall in oil prices, but now potentially made more durable by greater credit availability, ultralow interest rates and much greater confidence. Furthermore, stock markets could yet benefit from deal-making by cash-rich companies .

Earnings are the crunch point now. While earnings for S&P500 companies are some 23% above their precrisis peak, for Stoxx 600 constituents they are 26% below, and have largely stagnated since 2010, FactSet data show. But there are some signs of hope. The fourth-quarter saw earnings rise 8.9% year-on-year, J.P. Morgan Asset Management notes. Analysts have become more bullish: Europe excluding the U.K. is the only region where earnings upgrades are outstripping downgrades, Citigroup notes. But the backdrop for earnings is good, particularly for exporters that benefit from a weaker euro.

The speed of gains so far this year may have left investors feeling a little dizzy. But if Europe can finally deliver on earnings growth, then it could be a remarkable year for European stocks.

Write to Richard Barley at richard.barley@wsj.com

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DOW JONES
NEWSWIRES

European Stocks Need to Show Earnings Power -- Heard on the Street

By Richard Barley
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Dow Jones Institutional News
DJDN
英文

It looks like third time lucky for European stocks.

While U.S. indexes like the S&P500 and Dow Jones Industrial Average have long ago surpassed their previous record highs, the Stoxx Europe 600, up 18.5% this year, is only now set to cross a mark left some 15 years ago. Even in the heady days of 2007, the index failed to beat its March 2000 peak.

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Write to Richard Barley at richard.barley@wsj.com

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DOW JONES NEWSWIRES

Nordic Stocks Seen Opening Just Lower -- Market Talk

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Dow Jones Institutional News
DJDN
英文

0615 GMT [Dow Jones]--Nordic markets are seen opening just in negative territory Wednesday with IG calling the OMXS30 down 0.1% at around 1696. "In the financial markets, the US stock market in late trade reversed earlier gains and the S&P500 closed down slightly," says Danske Bank. "In the US, the Q1 earnings season officially kicks off today with Alcoa reporting after US market close." On the data front, German factory orders and euro zone retail sales for February are both due for release this morning. "The minutes of the 17-18 March FOMC meeting are due for release tonight. The FOMC removed 'patient' from its statement, which means the door for a June rate hike is open." OMXS30 closed at 1697.43, OMXN40 at 1674.11 and OBX at 586.71. (dominic.chopping@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

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April 08, 2015 02:15 ET (06:15 GMT)

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Pre-Holiday Market Edges Up on Mixed Data

By Vito J. Racanelli
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2015 年 4 月 6 日
Barron's
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M3
英文

U.S. equities moved slightly higher in a short week of quiet trading. The major indexes inched up but airlines fell 5% and biotechs slipped 4%. The Nasdaq also bucked the trend and fell slightly.

Investors continue to be confounded by hot and cold running U.S. economic data, which has kept the market range-bound since late November. Expect markets to be weak Monday after the latest example, Friday's payrolls data, released when U.S. stock markets were closed in observance of Good Friday. Bond markets rallied Friday, but the dollar and stock futures fell.

The Labor Department said March nonfarm payrolls rose 126,000, far below expectations of almost double that. Earlier in the week saw a mix of lower jobless claims but a softer-than-expected private payrolls number, as well as a weak factory activity report that conflicted with a stronger purchasing managers' index.

In the game of assessing whether bad news is really bad news, Friday's data are probably bad news for equities. They indicate slower growth, and investors wonder if the Federal Reserve will move more slowly with anticipated interest-rate increases later this year or keep to the presumed September hike.

The "safe zone" would have been 200,000 to 300,000 payrolls, says James McDonald, chief investment strategist for Northern Trust. Because of conflicting data, investors want to see a better economy before taking on more risk in the form of stocks, he adds.

"Don't read too much into payrolls, however, as it's an often-revised number," adds Jason Pride, director of investment strategy at Glenmede Investment and Wealth Management. Bad weather, a strong dollar, and weak energy prices probably played their part in depressing the numbers, he says. There remain positive economic signs here and in Europe, he adds. Both Pride and McDonald point out that the bigger picture for jobs is improving.

Energy stocks perked up 1.5% last week as crude oil rose 0.6%, though finished off highs for the week. That contributed to airline stocks' decline. While the market's new-found appetite for oil and gas stocks seems to suggest hopes are rising that oil prices are stabilizing, that might not be the case, particularly for the next few months, says Christopher Zook, chief investment officer of Houston-based CAZ Investments.

Everyone knows there's a global crude oversupply, but what's perhaps less known, he says, "is that there is no place to store the crude," and that might worsen until late May. With water levels down about 25% in drought-hit Lake Travis, Texas, people are joking about draining it for oil storage, Zook quips.

At least for the short term, this could significantly depress U.S. crude prices, he says. Should last week's preliminary nuclear deal with Iran hold, it would bring still more global crude into production.

The first-quarter earnings season kicks off this week and investors are braced for the Standard & Poor's 500 index's aggregate quarterly earnings to be down around 3% to 4%, much of that coming from a 60%-plus drop in energy profits. Though the market knows this, in the context of a slowing U.S. economy and a market still near highs, "you have to ask yourself how much you are willing to pay for negative growth and how far out you are willing to look," says Zook.

Last week, the Dow Jones Industrial Average added 51 points to 17763.24, while the S&P 500 index rose six points to 2066.96. For both it was a 0.3% rise. The Nasdaq Composite eased five points, or 0.1%, to 4886.94.

Overdoing Monsanto Woes

Several thorny issues have dampened market enthusiasm for Monsanto's stock. After outperforming from 2010-14 and reaching a high near $129 last July, shares of the giant agribusiness are down 7% to $116.30, while the broad market is up about 5%. Yet concerns for the most part are short term or not related to fundamentals, and Monsanto's (ticker: MON) robust long-term prospects deserve a second look.

As with many U.S. firms with global reach, the rising dollar is crimping profits. Perhaps the biggest woe, however, is that corn prices are down 30% in the last 10 months thanks to bumper crops. Corn seed made up almost 50% of Monsanto sales for the first half of fiscal 2015, ended February.

Herbicides like its Roundup product, the largest crop-protection brand globally, are important too for the St. Louis-based firm. On that front bad news came last month when the World Health Organization said glyphosate an ingredient in Roundup and other weed killers was "probably carcinogenic" to humans.

Then, last Wednesday Monsanto reported that fiscal second-quarter sales had fallen 11% to $5.2 billion and net earnings per share 7% to $2.92 from $3.15, mostly on the muscular greenback and lower corn-seed sales. Monsanto said EPS for fiscal 2015, ending August, would trend to the low end of its previous guidance of $5.75 to $6.

What's surprising, though, was the reaction of Monsanto stock, which jumped 4% on the news. That suggests the market was relieved and that its fears have been overdone. Though Monsanto's EPS growth has slowed in the last two years, it has posted strong double-digit percentage growth over the past decade, with the exception of fiscal 2010, amid the financial crisis.

More importantly, given secular trends in population growth and the need for farmers to continually hike crop yields, the company's target of "at least" doubling earnings from fiscal 2014's $5.20 by fiscal 2019 seems achievable. According to forecasts used by Monsanto, corn demand will grow about 8% by 2019, or 500 million bushes annually, and soybeans by 200 million bushels per year, or roughly 20%.

Monsanto's earnings visibility is strong thanks to a good pipeline of new products, some already successful, such as the Intacta RR2 Pro seed, says Scott Migliori, chief investment officer of U.S. Equities at AllianceGI, which has owned Monsanto shares for awhile and has been adding recently. Intacta has been genetically modified for resistance to worm attacks and allows farmers to use less insecticide.

The company's soybean portfolio is a smaller $1.3 billion in sales in the first half but a faster-growing portion of the total, up 18% in that period. Intacta has been used on 15 million acres and there are plans for it to be used on 30 million acres, on the way to a targeted 100 million acres.

Corn prices are lower, but Migliori says fears that farmers will go with rivals' cheaper seeds are overdone, because Monsanto's crop-yield advantage is sufficient at current prices. "Seeds are the last thing they can cut back on. . . . There's no appetite to trade down," he adds.

The WHO headline was a red-herring and overblown, he adds. For one thing, the study was not original but a review of previous research. Nor does it have any regulatory effect. Moreover, glyphosate has been studied and approved by regulators around the world multiple times over 40 years, both in North America and Europe.

Monsanto has fought back, calling it "junk science," with a conclusion not supported by the data. It pointed out that each of the studies considered by WHO had been previously reviewed by regulatory agencies.

Monsanto's valuation is the "cheapest in the last five years," Migliori notes, relatively low compared both to its own history and to that of the broad market. The shares trade at a price/earnings ratio of 17 times fiscal 2016 consensus EPS of $6.73 versus a median P/E of 20.

Extrapolating from the company's guidance, EPS in fiscal 2017 should be about $7.75, he says, a number investors will be evaluating roughly 12 months from now. A P/E of 20 on that yields a target of about $150, about 30% higher, he says.

Monsanto's dollar and corn problems are nothing it hasn't gone through before. When prices begin to stabilize, perhaps in fiscal 2016, the effect on EPS will disappear.

The biggest risk probably isn't glyphosate but a possibility that corn prices move sharply downward again. For long- term investors, however, Monsanto looks like a keeper at this level.

Breaking Up's Good Returns

Corporate spinoffs have been on the boil for a few years now and the strong short and long-term positive returns for spun off companies continue to back up the rationale for them. (See table above.) In the first quarter, the Bloomberg Spin Index, which holds spun-off companies over $1 billion in market cap for three years from their separation, was up 6.8%. The Guggenheim Spin-Off exchange-traded fund (CSD) rose 6%. The further back you go, the better the outperformance gets versus the market.

Spinoffs are typically done when one or more of a company's disparate divisions don't fit with the others, and the combined market value doesn't fully reflect the value of the various businesses. Shareholders get separate shares of the new company, often a pure-play stock.

A recent example is Kraft Foods Group (KRFT), which soared 45% last month on news of its planned merger with H.J. Heinz. In October 2012, Kraft Foods, a North American groceries company, was spun off from the old Kraft, which changed its name to Mondelez International (MDLZ), focused on snacks and candy.

Kraft Foods was the second-largest position in the Bloomberg Spin index and the largest in the Guggenheim ETF, according to Spin-Off Research. Nevertheless, the ETF has underperformed the index mainly because it buys spun-off shares after six months of trading. Spinoff trading is more efficient now and often stocks of the parent begin to rise on a spinoff announcement. Waiting six months to buy the shares forces the ETF to pay up for them, according to Joe Cornell, publisher of Spin-Off Research.

Spinoffs tend to do well when the market rallies but could flag in a downturn.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17763.24	+50.58	+0.29
DJTransportation	8605.31	-95.03	-1.09
DJUtilities	589.87	+9.36	+1.61
DJ65Stocks	6301.28	+5.50	+0.09
DJUSMarket	522.82	+1.98	+0.38
NYSEComp.	10953.17	+78.02	+0.72
NYSEMKTComp.	2429.63	+17.97	+0.75
S&P500	2066.96	+5.94	+0.29
S&PMidCap	1523.94	+15.43	+1.02
S&PSmallCap	721.27	+6.64	+0.93
Nasdaq	4886.94	-4.28	-0.09
ValueLine(arith.)	4836.73	+49.55	+1.04
Russell2000	1255.66	+15.25	+1.23
DJUSTSMFloat	21705.61	+91.94	+0.43

	Last Week	Week Earlier
NYSE		
Advances	2,145	1,212
Declines	1,070	2,014
Unchanged	56	53
NewHighs	261	367
NewLows	57	77
AvDailyVol(mil)	3,203.5	3,251.8
Dollar (Finexspotindex)	97.49	97.39
T-Bond (CBTnearbyfutures)	164-180	164-130
Crude Oil (NYMlightsweetcrude)	49.14	48.87
Inflation KR-CRB (FuturesPriceIndex)	216.09	215.16
Gold (CMXnearbyfutures)	1200.90	1199.80

5035

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BARRON'S

Home
Leaders & Laggards -- First-Quarter 2015

By Bill Alpert
845 字
2015 年 4 月 4 日
Barron's Online
BON
英文

U.S. Stock Funds 2.67%
CATEGORY RETURN BEST FUND RETURN WORST FUND
RETURN
Large-Cap Core 0.87 Dreyfus Lg Cap Equity;I / DLQIX 4.17 Aston:Cornerstone LCV;N / RVALX
-5.75
Large-Cap Growth 3.69 Janus Forty Fund;I / JCAPX 7.83 Instl Sector Alloc Model / SAMSX
-4.19
Large-Cap Value 0.13 Deutsche Lg Cap Val;Inst / KDCIX 3.02 Voya Corp Leaders / LEXCX
-3.07
Long/Short Equity 1.41 Highland:Long/Sh Hc;Z / HHCZX 10.49 RBB:RBP Long/Sh Eq;Inv /
BPLEX -4.23
Mid-Cap Core 3.88 Aquila 3 Peaks Opp Gr;Y / ATGYX 8.10 FPA Capital / FPPTX
-4.92
Mid-Cap Growth 5.73 BlackRock:MC Gro;A / BMGAX 11.42 Putnam Equity Spectrum;C /
PYSCX -2.04
Mid-Cap Value 2.82 AMG:AMG SthSun US Eq;I / SSEIX 6.01 Franklin Val:Bal;C / FCBSX
-3.89
Multi-Cap Core 2.11 LM Opportunity;I / LMNOX 6.09 GoodHaven Fund / GOODX
-4.76
Multi-Cap Growth 4.34 RBB:Dynamic US Gr;I / DWUGX 8.87 DF Dent Premier Growth /
DFDPX 0.73
Multi-Cap Value 1.01
Fidelity Value Strat;K / FVSKX 4.50 CM:Advisors Fund;I / CMAFX -5.77
S&P 500 Index Objective 0.85 SEI Inst Inv:S&P500;A / SPINX 0.97 Guggenheim:Cap Stew;I /
GFCIX 0.43
Small-Cap Core 3.63 Touchstone:SC Cre;Inst / TSFIX 10.13 Pacific Adv:Sm Cap Val;A /
PASMX -5.05
Small-Cap Growth 5.91 Century SmCp Sel;Inst / CSMCX 10.54 CB Small Cap Growth;C /
SCSMX 1.06
Small-Cap Value 2.06 Invesco SC Value;Y / VSMIX 5.04 Aegis Value;I / AVALX -5.19

Sector Funds 3.16%
CATEGORY RETURN BEST FUND RETURN WORST FUND
RETURN
Financial Services -0.27 Hennessy:Sm Cp Finl;Inv / HSFNX 2.45 Hennessy:Lg Cap Finl;Inv / HLFNX
-3.92
Health/Biotechnology 11.62
Fidelity Sel Bio Tech / FBIOX 16.02 Delaware Healthcare;C / DLHCX 6.52
Natural Resources -0.49 BP Cap TL Energy;I / BPEIX 5.23 Fidelity Sel Enrgy Ser / FSESX -5.92
Real Estate 4.49 PIMCO:RE Rl Rtn;Inst / PRRSX 6.82 Fidelity Adv RE Inc;C / FRIOX 2.25
Science & Technology 3.76 Firsthand Tech Opptys / TEFQX 8.60 Fidelity Sel Computer / FDCPX
-4.44
Precious Metals Equity -3.96 US Glbl:Gold&PM / USERX 2.33 US Glbl:Wld Prec Min / UNWPX
-6.74
Utility -1.83 MFS Utilities;R5 / MMUKX 0.94 Amer Cent:Utilities;Inv / BULIX -5.10

World Equity Funds 3.73%
CATEGORY RETURN BEST FUND RETURN WORST FUND
RETURN

Int'l Large-Cap Core 5.04 Deutsche CROCI Intl;Inst / SUIIX 8.70 Steward:Itl Enh Idx;Inst / SNTCX -0.11
Int'l Large-Cap Growth 4.77 FMI:International Fund / FMIJX 7.94 WHV Intl Equity;I / WHVIX -1.45
Int'l Large-Cap Value 4.66 Brandes Inv:Itl Eq;I / BIIEX 6.72 Deutsche Intl Val;S / DNVSX 2.81
Japanese 12.16 Matthews Asia:Japan;Inv / MJFOX 17.39 DFA Japan Sm Co;I / DFJSX 8.59
Latin American -8.92 T Rowe Price Int:Lat Am / PRLAX -6.75 JPMorgan:Latin Am;Sel / JLTSX -10.27
Pacific Ex Japan 5.53 Mirae:Asia Great Cons;I / MGCIX 10.67 Matthews Asia:SmCo;Inv / MSMLX 2.33
China Region 4.90 Columbia:Grtr China;A / NGCAX 7.70 GMO:Taiwan / GMOTX 2.32
Emerging Markets 1.02 Voya:Russia;A / LETRX 18.87 Templeton Frnt Mkt;A / TFMAX -6.20
European Region 4.88 Franklin Mut European;R6 / FMEUX 8.35 INVESCO Euro Sm Co;A&Y/ ESMAX/ESMYX 0.16

Mixed Equity Funds 2.01%
CATEGORY RETURN BEST FUND RETURN WORST FUND RETURN
Convertible Securities 2.54 Vanguard Conv;Inv / VCVSX 5.09 Fidelity Adv Cnv Sec;C / FCCVX 0.84
Flexible Portfolio 1.73 Innovator Mtrx Inc;A / IMIFX 7.68 Stadion Mgd Risk 100;C / ETFYX -6.00
Mixed-Asset Target 2010 1.68 TIAA-CREF:Lfcy 2010;Prmr/Inst/ TCTPX/TCTIX 2.60 WellsFargo:DJ 2010;Inv/Adm/ WFCTX/WFLGX 0.76
Mixed-Asset Target 2015 1.86 TIAA-CREF:Lfcy 2015;Inst / TCNIX 2.76 American Fds C2015;529C / CFFCX 0.80
Mixed-Asset Target 2020 1.99 TIAA-CREF:Lfcy 2020;Inst / TCWIX 2.92 Manning&Napier:T2020;K / MTNKX 0.83
Mixed-Asset Target 2025 2.20 TIAA-CREF:Lfcy 2025;Inst / TCYIX 3.11 American Fds C2021;529C / CTOCX 0.62
Mixed-Asset Target 2030 2.40 Invesco BR Ret 2030;A / TNAAX 3.41 Manning&Napier:T2030;I / MTPIX 0.89
Mixed-Asset Target Alloc Consv 1.56 Invesco Premium Inc;R6 / PIFFX 3.19 BMO:Multi-Asset Inc;I / BMANX -0.26
Mixed-Asset Target Alloc Growth 1.95 Tributary:Balanced;I / FOBAX 5.19 Dodge & Cox Balanced / DODBX -0.26
Includes all funds over $50 millions.
Source: Lipper

文件 BON0000020150404eb44001e2

DOW JONES
NEWSWIRES

The Trader: Pre-Holiday Market Edges Up On Mixed Data -- Barron's

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2015 年 4 月 4 日 05:09
Dow Jones Institutional News
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英文

(FROM BARRON'S 4/6/15)
By Vito J. Racanelli
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What's surprising, though, was the reaction of Monsanto stock, which jumped 4% on the news. That suggests the market was relieved and that its fears have been overdone. Though Monsanto's EPS growth has slowed in the last two years, it has posted strong double-digit percentage growth over the past decade, with the exception of fiscal 2010, amid the financial crisis.

More importantly, given secular trends in population growth and the need for farmers to continually hike crop yields, the company's target of "at least" doubling earnings from fiscal 2014's $5.20 by fiscal 2019 seems achievable. According to forecasts used by Monsanto, corn demand will grow about 8% by 2019, or 500 million bushes annually, and soybeans by 200 million bushels per year, or roughly 20%.

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Extrapolating from the company's guidance, EPS in fiscal 2017 should be about $7.75, he says, a number investors will be evaluating roughly 12 months from now. A P/E of 20 on that yields a target of about $150, about 30% higher, he says.

Monsanto's dollar and corn problems are nothing it hasn't gone through before. When prices begin to stabilize, perhaps in fiscal 2016, the effect on EPS will disappear.

The biggest risk probably isn't glyphosate but a possibility that corn prices move sharply downward again. For long- term investors, however, Monsanto looks like a keeper at this level.

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4 Apr 2015 00:09 ET The Trader: Pre-Holiday Market Edges Up On Mixed -2-

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DJUSMarket	522.82	+1.98	+0.38
NYSEComp.	10953.17	+78.02	+0.72
NYSEMKTComp.	2429.63	+17.97	+0.75
S&P500	2066.96	+5.94	+0.29
S&PMidCap	1523.94	+15.43	+1.02
S&PSmallCap	721.27	+6.64	+0.93
Nasdaq	4886.94	-4.28	-0.09
ValueLine(arith.)	4836.73	+49.55	+1.04
Russell2000	1255.66	+15.25	+1.23
DJUSTSMFloat	21705.61	+91.94	+0.43

	Last Week	Week Earlier
NYSE		
Advances	2,145	1,212
Declines	1,070	2,014
Unchanged	56	53
NewHighs	261	367
NewLows	57	77
AvDailyVol(mil)	3,203.5	3,251.8
Dollar		
(Finexspotindex)	97.49	97.39
T-Bond		
(CBTnearbyfutures)	164-180	164-130
Crude Oil		
(NYMlightsweetcrude)	49.14	48.87
Inflation KR-CRB		
(FuturesPriceIndex)	216.09	215.16
Gold		
(CMXnearbyfutures)	1200.90	1199.80

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Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US6092071058

Access Investor Kit for Monsanto Co.

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Declines	1,070	2,014
Unchanged	56	53
NewHighs	261	367
NewLows	57	77
AvDailyVol(mil)	3,203.5	3,251.8
Dollar		
(Finexspotindex)	97.49	97.39
T-Bond		
(CBTnearbyfutures)	164-180	164-130
Crude Oil		
(NYMlightsweetcrude)	49.14	48.87
Inflation KR-CRB		
(FuturesPriceIndex)	216.09	215.16
Gold		
(CMXnearbyfutures)	1200.90	1199.80

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(END) Dow Jones Newswires

April 04, 2015 18:00 ET (22:00 GMT)

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Market Extra
News & Commentary
Citi fetes Apple’s potential on its 39th birthday; Wall Street too downbeat on Q2 earnings

Sue Chang, MarketWatch
schang@marketwatch.com; You can follow Sue Chang on Twitter at @SueChangMW.
627 字
2015 年 4 月 1 日 18:54
MarketWatch
MRKWC
英文

Wall Street too downbeat on Q2 earnings

SAN FRANCISCO (MarketWatch)—What do you give the richest company in the world for its birthday? An adulatory analyst report and a spot on a coveted buy list are good places to start.

As Apple Inc . (AAPL, US) turned 39 on Wednesday, Citi analyst Jim Suva published an upbeat note that laid out the reasons why the stock will shake off its to trade higher in the second quarter.

“We believe that the share price of AAPL will move up in absolute terms in the next 3 months based on the last closing price of $126.37 [on Monday],” said Suva.

Easier device upgrades, conservative earnings estimates, higher gross margins, Apple Pay ’s upside potential, enterprise opportunity, and Apple Watch will all serve as catalysts for the stock to test new heights.

“Our global due diligence assessing both demand and supply reveals consensus is underestimating both the continued demand for iPhone 6 and iPhone 6 Plus as well as the demand for the higher memory density phones,” he said.

Six months after the launch of the new iPhones, many vendors are still selling out on 128-gigabyte models, underscoring the strong appetite for devices with larger memories fueled by increased use of apps.

Apple Pay and Apple Watch, although in their nascent stages, could also result in additional revenue stream if Apple follows through with innovative improvements.

“The reason we view Apple Watch as a bonus potential catalyst is we are not impressed with the one day battery life or lack of built in GPS and look for Apple to make enhancements to eventually address these concerns, albeit likely in the second generation of Apple Watch,” said Suva.

The company is expected to in its opening weekend, putting it on track to sell up to 2.3 million units in the June quarter, according to PiperJaffray analyst Gene Munster.

Apple will start taking preorders for Apple Watch on April 10.

Bullish analysis aside, Apple will still face challenges from a strong U.S. dollar (DXY, US) and slower iPad sales. Nonetheless, Suva says Wall Street is too subdued on Apple’s earnings.

“We believe the company will beat consensus sales by at least $1 billion and iPhone unit shipments by at least 5% and at least a 2% EPS beat versus consensus,” he said.

Apple, which is slated to announce fiscal second-quarter results on April 27, is forecast to report earnings of $2.12 a share on revenue of $55.45 billion, according to a survey of analysts by FactSet.

Suva also expects the iPhone maker to announce an increase in its stock buyback program to $120 billion from $90 billion and at least a 10% hike in dividend from the current 47 cents.

Apple’s stock fell 0.4% to $123.94 Wednesday after dropping 3.1% in March, its first monthly slide since December.

For 2015, the stock rallied 12% and soared 60% over the past 12 months, making it one of the best S&P 500 performers. But there is still room for the stock to climb, according to Suva.

“Apple stock is not expensive as it trades at 14 times forward earnings or 11 times excluding cash of $25 per share and we note the S&P500 is trading at 17 times forward earnings,” he said.

The analyst reiterated his buy rating on Apple’s stock and target price of $145 and added it to Citi’s U.S. Focus List, composed of the financial firm’s “high conviction” stocks.

文件 MRKWC00020150401eb410038p

Japan Leads Asian Shares; Business Outlook Disappoints

By Brad Frischkorn
365 字
2015 年 4 月 1 日 03:38
Dow Jones Institutional News
DJDN
英文

Japan stocks led Asian markets, which were mostly lower in early Wednesday trading following a worse-than-expected survey of business sentiment, a weaker dollar and an overnight Wall Street selloff.

The Nikkei Stock Average fell as much as 1.5% before rebounding off its lows, and was last at 19078.81, off 0.7%.

The dollar was sharply lower against the yen, which was at Y119.70--bad for Japanese exporters--after the Dow Jones Industrial Average, the S&P500 and the Nasdaq all fell.

Some traders saw a weak result from the Bank of Japan 's quarterly tankan survey--published minutes before the market opened--as providing the biggest and most viable reason to sell stocks. Sentiment among Japan's big manufacturers barely changed in the three months to January, despite expectations that the weak yen would improve their mood.

There is a confluence of sell motives at work, said Daisuke Uno, strategist at Sumitomo Mitsui Banking Corp .

"Investors expected more from the BOJ tankan result, and there was a lot of hype about record corporate profits for the just-ended fiscal year," Mr. Uno said. "And then there is just routine profit-taking after a good quarter for the Nikkei."

The Nikkei booked an advance of 10% through the first three months of 2015.

Elsewhere in the region, South Korea's Kospi was also down 0.5% at 2030.49, Australia's S&P/ASX200 was off 0.5% at 5861.20, while New Zealand's NZX50 was nearly flat at 5834.562.

China's Shanghai bourse was up 0.2% at 3756.882, while Hong Kong's Hang Seng Index was also 0.2% higher at 24945.79; the H Share Index added 0.8% at 12444.82.

Write to Brad Frischkorn at bradford.frischkorn@wsj.com

(END) Dow Jones Newswires

March 31, 2015 22:38 ET (02:38 GMT)

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DOW JONES
NEWSWIRES

Indian Morning Briefing: Asian Markets Mostly Lower

1,147 字
2015 年 4 月 1 日 04:00
Dow Jones Institutional News
DJDN
英文

GLOBAL MARKETS

	Latest	Change	%Change
DJIA	17776.12	-200.19	-1.11
Nasdaq	4900.88	-46.56	-0.94
S&P 500	2067.89	-18.35	-0.88
FTSE 100	6773.04	-118.39	-1.72
Nikkei Stock	19107.56	-99.43	-0.52
Hang Seng	25005.25	104.36	0.42
Kospi	2030.10	-10.93	-0.54
SGX Nifty	8526.00	-13.00	-0.15

April contract

	Latest	%Change
USD/JPY	119.67-68	-0.38
Range	120.15-119.42	
EUR/USD	1.0771-74	+0.35
Range	1.0783-1.0732	

CBOT Wheat May $5.118 per bushel (Settlement Price)

	Last	Change
Comex Gold	$1,183.20	$0.2%
Comex Gold Range	$1,178.20-$1,190.60	
Nymex Crude (NY)	$47.5	-$1.13

U.S. STOCKS

U.S. stocks fell, dragging the Dow Jones Industrial Average into the red for the first quarter.

It marks the first quarterly decline for the index since the first quarter of 2014. The S&P 500 and the Nasdaq Composite, however, rose for the ninth consecutive quarter.

It has been a bumpy road for equities in the past three months as investors grappled with concerns about the pace of global growth, the sharp fall in the price of oil, the question of when the Federal Reserve will begin to raise interest rates as well as the strengthening dollar.

The Dow had the most swings of at least 1% in a quarter since the fourth quarter of 2011. The choppy trade has occurred even as volumes were below-average, traders said.

That trend continued on Tuesday, as the Dow Jones Industrial Average fell 200.19 points, or 1.1%, to 17776.12, its ninth day during the quarter with a loss of at least 1%, the most such days since second quarter of 2012. The S&P 500 shed 18.35 points, or 0.9%, to 2067.89, and the Nasdaq Composite declined 46.56 points, or 0.9%, to 4900.88.

"The market continues to bounce in its range," said Brett Mock, managing director at brokerage JonesTrading Institutional Services . "Whether it's the jobs report this Friday or we have to wait for first-quarter earnings in a couple of weeks, it's wait and see."

In corporate news, Charter Communications shares jumped 5.3% after it agreed to acquire Bright House Networks for $10.4 billion, the latest deal in a rapidly consolidating pay-television industry.

ASIAN STOCKS
Japan stocks led Asian markets, which were mostly lower in early Wednesday trading following a worse-than-expected survey of business sentiment, a weaker dollar and an overnight Wall Street selloff.

The Nikkei Stock Average fell as much as 1.5% before rebounding off its lows, and was last at 19078.81, off 0.7%.

The dollar was sharply lower against the yen, which was at Y119.70--bad for Japanese exporters--after the Dow Jones Industrial Average, the S&P500 and the Nasdaq all fell.

Some traders saw a weak result from the Bank of Japan 's quarterly tankan survey--published minutes before the market opened--as providing the biggest and most viable reason to sell stocks. Sentiment among Japan's big manufacturers barely changed in the three months to January, despite expectations that the weak yen would improve their mood.

There is a confluence of sell motives at work, said Daisuke Uno, strategist at Sumitomo Mitsui Banking Corp .

"Investors expected more from the BOJ tankan result, and there was a lot of hype about record corporate profits for the just-ended fiscal year," Mr. Uno said. "And then there is just routine profit-taking after a good quarter for the Nikkei."

The Nikkei booked an advance of 10% through the first three months of 2015.

Elsewhere in the region, South Korea's Kospi was also down 0.5% at 2030.49, Australia's S&P/ASX200 was off 0.5% at 5861.20, while New Zealand's NZX50 was nearly flat at 5834.562.

China's Shanghai bourse was up 0.2% at 3756.882, while Hong Kong's Hang Seng Index was also 0.2% higher at 24945.79; the H Share Index added 0.8% at 12444.82.

FOREX
The USD/JPY is quickly losing ground at 119.48, falling to as low as 119.42 after hovering around 120, as risk aversion deepens on a fall in the Nikkei, says Mizuho Securities chief FX strategist Kengo Suzuki. The Nikkei is down 1.1% now following a BOJ Tankan survey which "overall was not good," says Suzuki. The survey, including capex figures, suggests the economy is stalling rather than recovering, he says. Falls below 119.80, 119.50, triggered stop-loss selling orders, giving an extra slide to the USD/JPY.

METALS
Copper prices fell Tuesday, weighed down by a stronger dollar and concerns about Chinese demand.

Copper for May delivery, the most actively traded contract, slid 1.5% to $2.7400 a pound, the lowest settlement since March 19 on the Comex division of the New York Mercantile Exchange .

OIL SUMMARY
Oil prices fell Tuesday as a deal on Iran's nuclear program appeared more likely, raising the chances of increased Iranian crude-oil exports.

Tuesday was the deadline for Iran and six other nations to outline the main elements of a deal constraining Iran's nuclear program in exchange for lifting international sanctions. The U.S. State Department said the parties made enough progress to merit staying at the talks until Wednesday. The deadline for a final agreement is the end of June.

Light, sweet crude for May delivery settled down $1.08, or 2.2%, at $47.60 a barrel on the New York Mercantile Exchange . Prices fell 4.3% on the month and 11% in the quarter.

Brent, the global benchmark, slid $1.18, or 2.1%, to $55.11 a barrel on ICE Futures Europe. Prices posted a 12% monthly loss and 3.9% quarterly loss.

Both benchmarks fell for the third straight quarter.

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BOJ Tankan Big Manufacturers Diffusion Index Unchanged at 12; Market Expected 14

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DOW JONES
NEWSWIRES

*Direxion S&P500 Bull 1.25 (LLSP) Halt: Single-Stock Circuit Breaker

26 字
2015 年 4 月 1 日 14:54
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(END) Dow Jones Newswires

April 01, 2015 09:54 ET (13:54 GMT)

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DOW JONES
NEWSWIRES

*Vanguard S&P500 ETF (VOO) Resumed Trading

21 字
2015 年 3 月 31 日 15:46
Dow Jones Institutional News
DJDN
英文

(END) Dow Jones Newswires

March 31, 2015 10:46 ET (14:46 GMT)

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Stocks Sag 2% as Economic News Disappoints

By Vito J. Racanelli
1,855 字
2015 年 3 月 30 日
Barron's
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Stocks posted sharp losses last week, erasing most of the previous week's nearly 3% rally. The major U.S. indexes fell more than 2%, pulled down by worries about weaker-than-expected U.S. economic data and growing violence in the Middle East.

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Among groups, the Nasdaq biotech stocks fell 5% after hitting all-time highs. Oil prices rose 7%, spurred by air strikes launched by Saudi Arabia into Yemen and a reported movement of Egyptian and Saudi warships to a waterway off Yemen's coast.

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Stocks could be in a dead zone for the next week -- or two or three -- as the economic-data schedule is relatively light and there is no news scheduled from the Federal Reserve, although a handful of Fed governors will be making speeches around the country in this holiday-shortened week. First-quarter earnings announcements begin in mid-April.

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Shack's Shaky Valuation

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Last year, Shake Shack earned seven cents a share, fully diluted, including nine cents in one-time expenses related to the initial public offering. The company, which operates 63 outlets, has a current market value of $1.8 billion.

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"For the most part, this growth story is predicated on the view that what works well in New York City will also work globally," says Howard Penney, a veteran restaurant-industry analyst at the independent research firm Hedgeye. Penney thinks investors should expect lower returns in the future. He rates the stock a Short.

Shake Shack implicitly recognizes that earlier figures are unsustainable when it targets new-unit annual volume of $2.8 million to $3.2 million, roughly 40% lower than the 2013 system average. It also targets operating margins of 18% to 22%, Penney points out. Bulls say the company is being conservative, but Penney says new units in more widely dispersed markets typically experience lower average unit volume and greater inefficiencies, as well as higher labor costs. He questions whether the company has made the requisite general and administrative (G&A) investments needed for the planned far-flung empire.

There is plenty of room for operational risk and "a very good" probability Shake Shack opens new units that fall short of high Street expectations, he says. The stock is priced for "flawless management execution," adds Penney, but that seems unlikely.

Viewed another way, the market values Shake Shack at $28 million per store. The analyst points out that Chipotle Mexican Grill (CMG), the best-executing restaurant chain in the space, trades at $11.2 million per store. If the much smaller Shake Shack, with its shorter history as a publicly traded company, had Chipotle's valuation, its shares would be around $20, less than half the current price.

JPMorgan, one of the IPO's lead underwriters, has a Neutral rating on the stock and a target price of $34 based on estimated earnings per share, discounted all the way out to 2030.

Shake Shake's plans to expand are ambitious, and the company claims its burgers, shakes, and hospitality have already successfully translated to other cultures. That seems an overstatement: There are only 27 international restaurants, with the majority in a handful of Middle Eastern countries.

Because of the limited number of restaurants, same-store sales -- which increased 7.2% in the fourth quarter, versus 6.8% in the year-ago period -- aren't as important as store-traffic growth, Penney says. In 2014, traffic grew 1.9%, down from 4% in 2013 and 5.7% in 2012. In 2015, industry research firm Consensus Metrix puts traffic growth at a negative 0.2%.

Domestic average weekly sales are falling and will continue to do so with the addition of new non-Manhattan outlets, the company says. That isn't a good trend for a cult stock either, says Penney.

Shake Shack's chief financial officer, Jeffrey Uttz, says the company is guiding analysts and investors to expect same-store sales growth "in the low single digits for the foreseeable future." He declined to elaborate or comment on the drop in traffic growth.

Uttz adds that fourth-quarter comparable-store sales gains reflected 1.7% traffic growth and a 5.5% price hike. Indeed, Shake Shack was able to raise prices 3% in September and another 2% to 3% in January, to partially offset higher beef prices. "We expect that there's [customer] price elasticity, but it is too early to tell," he says.

Aside from the fundamentals, there is a scarcity of available shares. Only 5.75 million of about 30 million Shake Shack shares trade, hardly enough to satisfy investor demand. Insider lockups expire in late July; given the stock's huge run-up, it wouldn't be surprising to see insiders dump shares then.

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If the Kraft-Heinz deal falls apart, that could reignite takeover talk about Campbell. But short of a bear market or an unlikely growth spurt, Campbell shares are apt to slide slowly toward the company's median valuation of 16.4 times expected earnings. With 2015 earnings forecast at $2.32 to $2.38, the price could fall to $40.

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NYSEMKTComp.	2411.65	-30.73	-1.26
S&P500	2061.02	-47.08	-2.23
S&PMidCap	1508.51	-31.10	-2.02
S&PSmallCap	714.63	-12.63	-1.74
Nasdaq	4891.22	-135.20	-2.69
ValueLine(arith.)	4787.18	-75.89	-1.56
Russell2000	1240.41	-25.96	-2.05
DJUSTSMFloat	21613.67	-484.35	-2.19

	Last Week	Week Earlier
NYSE		
Advances	1,212	2,515
Declines	2,014	745
Unchanged	53	24
NewHighs	367	422
NewLows	77	172
AvDailyVol(mil)	3,251.8	3,792.3
Dollar		
(Finexspotindex)	97.29	97.80
T-Bond		
(CBTnearbyfutures)	164-130	164-050
Crude Oil		
(NYMlightsweetcrude)	48.87	45.72
Inflation KR-CRB		
(FuturesPriceIndex)	215.16	214.11
Gold		
(CMXnearbyfutures)	1199.80	1184.80

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DOW JONES
NEWSWIRES

The Trader: Stocks Sag 2% As Economic News Disappoints -- Barron's

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2015 年 3 月 28 日 04:09
Dow Jones Institutional News
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28 Mar 2015 00:09 ET The Trader: Stocks Sag 2% As Economic News -2-

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NewLows	77	172
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Dollar		
(Finexspotindex)	97.29	97.80
T-Bond		
(CBTnearbyfutures)	164-130	164-050
Crude Oil		
(NYMlightsweetcrude)	48.87	45.72
Inflation KR-CRB		
(FuturesPriceIndex)	215.16	214.11

Gold
(CMXnearbyfutures) 1199.80 1184.80

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Oddly enough, while investors were worried at the beginning of the week that oil prices might continue to fall, they grew anxious midweek when prices jumped as fighting escalated in the Middle East.

The Commerce Department's report Wednesday that durable-goods orders fell 1.4% in February was the week's biggest disappointment, as economists had been expecting a small rise. The news spooked investors who are looking ahead anxiously to the start of earnings, says Andrew Ahrens, CEO of Ahrens Investment. It has people worried about what first-quarter results might look like. Also, investors took profits on the previous week's big rally, he says.

Stocks could be in a dead zone for the next week -- or two or three -- as the economic-data schedule is relatively light and there is no news scheduled from the Federal Reserve, although a handful of Fed governors will be making speeches around the country in this holiday-shortened week. First-quarter earnings announcements begin in mid-April.

Fundstrat's Lee notes Carnival (ticker: CCL) rose 6% Friday when the company reported that lower fuel costs helped results for the quarter ended February. Earnings season could be when investors get comfortable with the positive side of oil-price weakness, he says.

The S&P 500 index has stalled a few times around the 2100 level. It is hard to see stocks making new highs until earnings reports have been parsed and filed away.

Shack's Shaky Valuation

At $49 a share, Shake Shack's stock (ticker: SHAK) looks overvalued. Perhaps by a lot.

Shares of the fast-casual dining chain founded by renowned restaurateur Danny Meyer went public Jan. 29 at $21 a share. Since then, analysts have published their 2015 earnings estimates, with the Wall Street consensus putting full-year earnings at just five cents a share. That implies a stratospheric price/earnings ratio of 907.

Last year, Shake Shack earned seven cents a share, fully diluted, including nine cents in one-time expenses related to the initial public offering. The company, which operates 63 outlets, has a current market value of $1.8 billion.

Sales are projected to grow 44% this year, to $160 million, from $118.5 million in 2014. But even after accounting for strong topline growth and the potential addition of "at least 10" domestic and five international units a year, the valuation is rich enough to make a Silicon Valley CEO blush.

Meyer's vision of what the company calls "fine casual" dining has resonated with burger lovers. The offering prospectus says the chain has become "a beloved New York City institution that generates significant media attention, critical acclaim and a passionately devoted following."

Generating publicity is useful, but will this New York-centric company generate enough profit outside Gotham to justify the market's expectations? Probably not.

In 2013, the latest year for which data are available, domestic Shack outlets averaged $5 million in sales, although the number was skewed sharply higher by the seven Manhattan Shacks, which posted $7.4 million in revenue and had 30% operating profit margins. Non-Manhattan Shacks averaged only $3.8 million in sales and had 22% margins.

"For the most part, this growth story is predicated on the view that what works well in New York City will also work globally," says Howard Penney, a veteran restaurant-industry analyst at the independent research firm Hedgeye. Penney thinks investors should expect lower returns in the future. He rates the stock a Short.

Shake Shack implicitly recognizes that earlier figures are unsustainable when it targets new-unit annual volume of $2.8 million to $3.2 million, roughly 40% lower than the 2013 system average. It also targets operating margins of 18% to 22%, Penney points out. Bulls say the company is being conservative, but Penney says new units in more widely dispersed markets typically experience lower average unit volume and greater inefficiencies, as well as higher labor costs. He questions whether the company has made the requisite general and administrative (G&A) investments needed for the planned far-flung empire.

There is plenty of room for operational risk and "a very good" probability Shake Shack opens new units that fall short of high Street expectations, he says. The stock is priced for "flawless management execution," adds Penney, but that seems unlikely.

Viewed another way, the market values Shake Shack at $28 million per store. The analyst points out that Chipotle Mexican Grill (CMG), the best-executing restaurant chain in the space, trades at $11.2 million per store. If the much smaller Shake Shack, with its shorter history as a publicly traded company, had Chipotle's valuation, its shares would be around $20, less than half the current price.

JPMorgan, one of the IPO's lead underwriters, has a Neutral rating on the stock and a target price of $34 based on estimated earnings per share, discounted all the way out to 2030.

Shake Shake's plans to expand are ambitious, and the company claims its burgers, shakes, and hospitality have already successfully translated to other cultures. That seems an overstatement: There are only 27 international restaurants, with the majority in a handful of Middle Eastern countries.

Because of the limited number of restaurants, same-store sales -- which increased 7.2% in the fourth quarter, versus 6.8% in the year-ago period -- aren't as important as store-traffic growth, Penney says. In 2014, traffic grew 1.9%, down from 4% in 2013 and 5.7% in 2012. In 2015, industry research firm Consensus Metrix puts traffic growth at a negative 0.2%.

Domestic average weekly sales are falling and will continue to do so with the addition of new non-Manhattan outlets, the company says. That isn't a good trend for a cult stock either, says Penney.

Shake Shack's chief financial officer, Jeffrey Uttz, says the company is guiding analysts and investors to expect same-store sales growth "in the low single digits for the foreseeable future." He declined to elaborate or comment on the drop in traffic growth.

Uttz adds that fourth-quarter comparable-store sales gains reflected 1.7% traffic growth and a 5.5% price hike. Indeed, Shake Shack was able to raise prices 3% in September and another 2% to 3% in January, to partially offset higher beef prices. "We expect that there's [customer] price elasticity, but it is too early to tell," he says.

Aside from the fundamentals, there is a scarcity of available shares. Only 5.75 million of about 30 million Shake Shack shares trade, hardly enough to satisfy investor demand. Insider lockups expire in late July; given the stock's huge run-up, it wouldn't be surprising to see insiders dump shares then.

Valuation isn't enough to derail a stock, but it wouldn't take much of a misstep to send this one much lower. Customers love Shake Shack burgers, but the stock could induce heartburn.

Always a Bridesmaid?

Kraft Foods Group stock (KRFT) soared last week on news that Kraft and H.J. Heinz, controlled by Brazil's 3G Capital investment firm, are planning to merge, creating the third-largest food and beverage company in North America. Shares of Campbell Soup (CPB), on the other hand, could begin a long descent. In February, this column predicted Campbell's stock could lose the takeover premium that had pushed its valuation to historic highs.

Camden, N.J.-based Campbell was seen by many investors as a potential target of the acquisitive 3G, despite a large family holding in Campbell, a potential barrier to a buyer. The stock was little changed last week, and down 1.5% to $45.89 since our item ran Feb. 28. As it becomes clear that the food company is likely to remain a bridesmaid, the shares could give up some of their premium valuation.

Some say a Kraft-Heinz behemoth will force rivals to up their game, but investors might want to see some evidence of that at Campbell, which also owns brands such as Pepperidge Farm and V8 juice. Campbell's sales and earnings before interest, taxes, depreciation, amortization have been flat for years, while annual growth of 4% in earnings per share has come mainly from share-count reductions. The company is planning big cost cuts in the next few years.

If the Kraft-Heinz deal falls apart, that could reignite takeover talk about Campbell. But short of a bear market or an unlikely growth spurt, Campbell shares are apt to slide slowly toward the company's median valuation of 16.4 times expected earnings. With 2015 earnings forecast at $2.32 to $2.38, the price could fall to $40.

28 Mar 2015 18:01 ET The Trader: Stocks Sag 2% As Economic News -2-

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Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17712.66	-414.99	-2.29
DJTransportation	8700.34	-447.79	-4.89
DJUtilities	580.51	-14.82	-2.49
DJ65Stocks	6295.78	-201.74	-3.10
DJUSMarket	520.84	-11.71	-2.20
NYSEComp.	10875.14	-195.39	-1.76
NYSEMKTComp.	2411.65	-30.73	-1.26
S&P500	2061.02	-47.08	-2.23
S&PMidCap	1508.51	-31.10	-2.02
S&PSmallCap	714.63	-12.63	-1.74
Nasdaq	4891.22	-135.20	-2.69
ValueLine(arith.)	4787.18	-75.89	-1.56
Russell2000	1240.41	-25.96	-2.05
DJUSTSMFloat	21613.67	-484.35	-2.19

	Last Week	Week Earlier
NYSE		
Advances	1,212	2,515
Declines	2,014	745
Unchanged	53	24
NewHighs	367	422
NewLows	77	172
AvDailyVol(mil)	3,251.8	3,792.3
Dollar		

(Finexspotindex)	97.29	97.80
T-Bond		
(CBTnearbyfutures)	164-130	164-050
Crude Oil		
(NYMlightsweetcrude)	48.87	45.72
Inflation KR-CRB		
(FuturesPriceIndex)	215.16	214.11
Gold		
(CMXnearbyfutures)	1199.80	1184.80

(END) Dow Jones Newswires

March 28, 2015 18:01 ET (22:01 GMT)

文件 DJDN000020150328eb3s00074

DOW JONES
NEWSWIRES

Biotech Success Driving Share Prices -- Market Talk

138 字
2015 年 3 月 27 日 18:08
Dow Jones Institutional News
DJDN
英文

14:08 EDT - Are we in a biotech bubble? The question is being mulled over considerably, but one analysts has a nuanced answer. "We are not in a bubble, per se," writes Credit Suisse analyst Ravi Mehrotra. "Yes, we are in unprecedented times with regards to performance, interest levels, valuations of [small and mid-cap] stocks, but we are also seeing unprecedented success in the sector -- success that is fundamental and long-lasting." As he sees it, the biotech business model has undergone a fundamental change in recent years. And he points out that large cap biotech is still trading at lower forward multiples that either the S&P500 or big pharma stocks. (ed.silverman@wsj.com)

(END) Dow Jones Newswires

March 27, 2015 14:08 ET (18:08 GMT)

文件 DJDN000020150327eb3r002tn

DOW JONES
NEWSWIRES

Biotech: 'Unprecedented Times,' Not a Bubble -- Barron's Blog

By Ben Levisohn
519 字
2015 年 3 月 27 日 14:37
Dow Jones Institutional News
DJDN
英文

Credit Suisse analyst Ravi Mehrotra and team don't think biotech stocks--including Biogen Idec (BIIB) and Celgene (CELG)-- are in a bubble. He explains why:

Given the unprecedented performance in the biotech sector -- are we in a "biotech bubble"? One thing is for sure - we are in a completely unprecedented times for the biotech sector: (a) Since 1/1/2011 the NYSE ARCA Biotech Index has delivered 204% performance vs. 64% for the S&P500. The NYSE ARCA Biotech Index is up nearly 400% since the previous peak reached during the mother of all bull markets, i.e. the dotcom fueled 1999/2000 frenzy. The cumulative market cap of the 5 large caps is $513B currently up from $128B at the beginning of 2011 (and $82B at the beginning of 2001); (b) Biotech was the top performing sector for the last 5 years - 2011-2015; (c) The number of IPO's in 2014 (82 IPOs) has eclipsed the previous peak (67 IPOs) in 2000. There have been 12 IPOs YTD; (d) Multi $B valuations for SMID caps are now the norm. There are currently 44 public biotechs with >$2B market caps (outside the 5 large caps), 1 year ago there were only 26 and in 2011 just 14.

... we do not think we are in a "biotech bubble" per se (ok maybe the pendulum has over-swung a little!), but rather in a new era for biotech driven by fundamental changes in large and SMID cap biotech. Large cap biotech has evolved from a "Biotech 1.0" to "Biotech 2.0" business model and delivering industry leading growth rates and margins. Despite this, large cap biotech still trades at lower forward PE multiples (with higher growth rates) than the S&P500. The SMID Cap business model has also changed to an "owning the (potential) oil-well" from a "pick-and-shovel leasing for small royalties on any oil discovered" business model. The robust financing window has facilitated this. "Terminal value" of large caps and recent M&A premiums combined with "all the cool science" add to the perfect (good storm) for SMID caps.

Mehrotra calls Biogen Idec and Celgene "key stock picks" among large-cap biotechs.

Shares of Biogen Idec have gained 1.2% to $434.23 at 10:31 a.m. today, while Celgene has risen 0.9% to $118.73. The First Trust NYSE Arca Biotech ETF (FBT) has advanced 1.9% to $118.68.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/
Access Investor Kit for Credit Suisse Group AG

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=CH0012138530

Access Investor Kit for Biogen Idec, Inc.

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Access Investor Kit for Celgene Corp.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US1510201049

Access Investor Kit for Credit Suisse Group AG

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US2254011081

(END) Dow Jones Newswires

March 27, 2015 10:37 ET (14:37 GMT)

文件 DJDN000020150327eb3r00230

DOW JONES
NEWSWIRES

Altera, Intel Rally on WSJ Merger-Talk Report -- Market Talk

1,491 字
2015 年 3 月 27 日 19:41
Dow Jones Institutional News
DJDN
英文

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14:34 EDT - In a filing with the FCC Thursday, Comcast confirmed that Apple has not approached NBCUniversal with requests to license its programming for a planned skinny-bundle streaming TV service, which the Wall Street Journal reported about last week. The Journal had reported that Apple had not approached NBCU in part because Apple's talks with Comcast last year to launch a streaming TV service had failed to bear fruit. Comcast filed the response Thursday because Stop Mega Comcast Coalition, a group of opponents to its pending acquisition of Time Warner Cable, had questioned whether Comcast was willfully withholding NBCUniversal content from Apple's new venture. Comcast retorted that "Apple has not even approached NBCUniversal with such a request," and noted that NBCU has licensed "substantial amounts of content" to Apple for its other platforms. (shalini.ramachandran@wsj.com; @shaliniwsj)

14:29 EDT - Two new taxes on the affluent to help pay for health-care changes pulled in $23B last year. Passed in 2010 in conjunction with the Affordable Care Act, they took effect in 2013 and were first paid in the 2014 filing season. The amount raised was about $3B more than expected. One of the levies is a 3.8% surtax on the net investment income of high earners, applying to most couples with AGI above $250K and singles above $200K. Last year, 3.1M taxpayers paid $16.5B, with the average at $5,300. Meanwhile, taxpayers above those income thresholds were also hit with an extra 0.9% Medicare tax above the 2.9% split between employers and employees. Under that, 2.8M paid $6.5B, according to the IRS. The average payment was $2,300. (laura.saunders@wsj.com; @saunderswsj)

14:20 EDT - A survey of C-suite-level IT pros at mid-sized companies in finance, life sciences manufacturing and technology by data recovery and protection firm NTT Communications finds that half the businesses don't have a documented business continuity/disaster recovery (BCDR) plan--and of the half that do, 23% said their organizations have never tested those plans. "For organizations that do have plans, there is often a one-dimensional approach favoring a single technology rather than a mix of BCDR techniques," the survey report says. "This reliance on a one-size-fits-all strategy highlights a substantial disconnect between budgets allocated to the planning and technology of BCDR and the areas of the business at greatest risk of downtime and data loss during a disaster." (ben.dipietro@wsj.com; @bendipietro1)

14:08 EDT - Are we in a biotech bubble? The question is being mulled over considerably, but one analysts has a nuanced answer. "We are not in a bubble, per se," writes Credit Suisse analyst Ravi Mehrotra. "Yes, we are in unprecedented times with regards to performance, interest levels, valuations of [small and mid-cap] stocks, but we are also seeing unprecedented success in the sector -- success that is fundamental and long-lasting." As he sees it, the biotech business model has undergone a fundamental change in recent years. And he points out that large cap biotech is still trading at lower forward multiples that either the **S&P500** or big pharma stocks. (ed.silverman@wsj.com)

14:02 EDT - Impacts being seen in US industries aren't uniform, notes Jean Rogers, CEO of the Sustainability Accounting Standards Board, which evaluates companies' plans for handling climate and other weather-related problems for investors and analysts. She notes the healthcare industry, for example, is being hit with more frequent and extreme storms, which boost the need for emergency response and costs. In 2012, Sandy cost Northeast healthcare organizations $1.2B. "We're asking them to disclose their readiness and their business-continuity processes and how they manage disasters and increasing storm events," Rogers says at WSJ's Eco:nomics conference. (cassandra.sweet@wsj.com)

13:57 EDT - While coal-shipment weakness has been helping put pressure on railroad stocks this year, the fuel only makes up 8% of Canadian National's (CNI) volume, notably less than peers. It's in that light that Cowen upgraded the company to outperform this week as the investment bank also highlighted CNI's potential currency benefits and 8.7% 1Q volume growth through Sunday, the most of all Class 1 railroads. Cowen boosts its price target on CNI to $81 from $75; it's down 3.2% this week at $66.16 in holding up much better than sectormates. (laura.stevens@wsjcom; @LauraStevensWSJ)

(END) Dow Jones Newswires

March 27, 2015 15:41 ET (19:41 GMT)

文件 DJDN000020150327eb3r003f8

Investors Like the Possibility of a Big Intel Deal for Altera
WSJ Blogs, 2015 年 3 月 27 日 20:07, 161 字, By Maureen Farrell, (英文)
A possible deal at Intel Corp. led the semiconductor sector and the broader market higher Friday afternoon.Before the close of trading, the Journal reported that Intel is in talks to buy Altera Corp. If it's consummated, the deal would be ...
文件 WCWSJB0020150327eb3r00795

DOW JONES
NEWSWIRES

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263 字
2015 年 3 月 27 日 20:08
Dow Jones Institutional News
DJDN
英文

A possible deal at Intel Corp. led the semiconductor sector and the broader market higher Friday afternoon.

Before the close of trading, the Journal reported that Intel is in talks to buy Altera Corp. If it's consummated, the deal would be the chip-making giant's largest takeover ever.

Before news of the deal was reported, Altera's market cap was around $10.4 billion. After the scoop hit the tape, shares of Altera shot up more than 25%.

Intel's shares, meanwhile, rose more than 6%, and the jump drove the broad S&P500 index higher. Earlier in the day the S&P had drifted below the break-even line -- 2,058.90 -- for 2015, but ultimately closed up slightly at 2,060.85.

Shares of other semiconductor companies, including Texas Instruments Inc., Lattice Semiconductor Corp., and Xilinx Inc., also moved higher.

Access Investor Kit for Altera Corp.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US0214411003

Access Investor Kit for Intel Corp.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US4581401001

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Access Investor Kit for Xilinx, Inc.

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(END) Dow Jones Newswires

March 27, 2015 16:08 ET (20:08 GMT)

文件 DJDN000020150327eb3r003hx

DOW JONES
NEWSWIRES

RadioShack Customers Likely Unable to Protect Info -- Market Talk

1,507 字
2015 年 3 月 27 日 19:46
Dow Jones Institutional News
DJDN
英文

15:46 EDT - RadioShack customers are unlikely to fare well if their personal data comes up for sale during RadioShack's bankruptcy proceedings, says Craig Spiezle, executive director of the Online Trust Alliance, a Washington-DC based advocacy group. During the bankruptcy of bookstore chain Borders Group in 2011, names, addresses and some purchase histories of customers who were part of the company's loyalty program were sold to purchaser Barnes & Noble (BKS). BKS gave Borders customers two weeks to opt-out. At the time, the Federal Trade Commission wrote a letter to lawyers overseeing the bankruptcy proceedings protesting the sale of customer data, arguing that people's entertainment habits constituted sensitive information and was prohibited by the Borders privacy policy. The data was sold anyway. (elizabeth.dwoskin@wsj.com; @lizzadwoskin)

15:43 EDT - Intel (INTC) is in talks to buy Altera (ALTR), The Wall Street Journal reports. While the terms of the deal could not be learned, with a market capitalization of $10.4B before the Journal story was published, a deal would be the largest in Intel's history. Intel's next largest acquisition was in 2011 when it closed on a $7.7B deal to buy security-software company McAfee. Shares of INTC rose 4.3% to $31.37, while shares of ALTR jumped 21% to $42.07. (dana.mattioli@wsj.com; @DanaMattioli)

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(END) Dow Jones Newswires

March 27, 2015 15:46 ET (19:46 GMT)

文件 DJDN000020150327eb3r003dc

DOW JONES
NEWSWIRES

Potential Record on Tap for the S&P 500 -- Market Talk

1,558 字
2015 年 3 月 27 日 19:04
Dow Jones Institutional News
DJDN
英文

15:04 EDT - Regardless of whether the S&P 500 finishes in the red or green today, this is the 28th session since the index last notched consecutive gains. Bespoke says that's only happened twice before since World War II, and in both those cases the 1st up day to end the streak occurred on Day 28. So if the S&P 500 instead notches its 5th-straight decline today, it's guaranteed there will be a new post-war record. Despite the index's inability the past 6 weeks to string together gains, it's down just 2% from Feb. 17, the last day of a 3-session uptrend. In 1994, the S&P 500 fell 4.7% from its last day of gains in a streak to the day before the next one occurred, while the index slid 13% in 1970. (kevin.kingsbury@wsj.com; @kevinkingsbury)

15:01 EDT - One byproduct of stricter financial regulation is that banks are shifting more of their securities into "held to maturity" accounts and away from "available for sale" status. TD Securities notes that HTM accounts have more than doubled to $640B over the past two years. Keeping securities HTM could help banks lower the cost of complying with regulations, which require banks to hold more collateral these days, TD says. It would also help avoid booking mark-to-market losses as bonds lose value in a rising-rate environment. But all that also means less liquidity. "Over the near future, we expect broader fixed income liquidity to continue deteriorating as banks retrench, increasing market volatility as Fed hikes approach," TD warns. (cynthia.lin@wsj.com; @cynthialin_dj)

14:49 EDT - Nymex April natural gas futures fall 3.1% as that contract expires at the close, a lackluster end to a lackluster season as robust production keeps supplies steady and prices in check despite chilly temperatures which drove strong demand. Now, with the start of spring and warm weather creeping into the forecast, supply/demand fundamentals are expected to weaken with the onset of the so-called shoulder season. April fell 8.2c to $2.590/MMBtu. (christian.berthelsen@wsj.com)

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(END) Dow Jones Newswires

March 27, 2015 15:04 ET (19:04 GMT)

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Natural Gas Fizzles as April Contract Wraps -- Market Talk

1,480 字
2015 年 3 月 27 日 18:49
Dow Jones Institutional News
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英文

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(END) Dow Jones Newswires

March 27, 2015 14:49 ET (18:49 GMT)

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Comcast Not Withholding Streaming Content from Apple -- Market Talk

1,499 字
2015 年 3 月 27 日 18:34
Dow Jones Institutional News
DJDN
英文

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13:22 EDT - As the accounting tool zero-based budgeting rises in popularity among food companies, consultants at Accenture are extra busy, says Robert Willems, a managing director at the firm, which has worked with Campbell (CPB), Mondelez (MDLZ) and more. Accenture takes out costs that often the company hasn't found. "You get push-back from people thinking they know how much they're spending," he says. For instance, Accenture found that one company's training budget was three times larger than executives thought. Nit-picky cost-cuts, like limits on color copies and requiring receipts for everything, help by changing the culture. "It makes people think twice," he says. (annie.gasparro@wsj.com)

(END) Dow Jones Newswires

March 27, 2015 14:34 ET (18:34 GMT)

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DOW JONES
NEWSWIRES

Obamacare Taxes on the Rich Raised $23B in 2014 -- Market Talk

1,476 字
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14:02 EDT - Impacts being seen in US industries aren't uniform, notes Jean Rogers, CEO of the Sustainability Accounting Standards Board, which evaluates companies' plans for handling climate and other weather-related problems for investors and analysts. She notes the healthcare industry, for example, is being hit with more frequent and extreme storms, which boost the need for emergency response and costs. In 2012, Sandy cost Northeast healthcare organizations $1.2B. "We're asking them to disclose their readiness and their business-continuity processes and how they manage disasters and increasing storm events," Rogers says at WSJ's Eco:nomics conference. (cassandra.sweet@wsj.com)

13:57 EDT - While coal-shipment weakness has been helping put pressure on railroad stocks this year, the fuel only makes up 8% of Canadian National's (CNI) volume, notably less than peers. It's in that light that Cowen upgraded the company to outperform this week as the investment bank also highlighted CNI's potential currency benefits and 8.7% 1Q volume growth through Sunday, the most of all Class 1 railroads. Cowen boosts its price target on CNI to $81 from $75; it's down 3.2% this week at $66.16 in holding up much better than sectormates. (laura.stevens@wsjcom; @LauraStevensWSJ)

13:56 EDT - As it reviews things in biotech, Citi see potential catalysts this year for Halozyme (HALO) between its Enhanze technology used in developing IV-injected biologics to study data on a drug to possibly treat pancreatic and lung cancers. The company is looking to move "from a royalty-generating platform to an oncology player with a late-stage wholly owned asset," notes Citi as it boosts its price target to $21 from $15. It says as HALO drug-development work continues, Enhanze-related revenue should lower the risk of the company needing a stock sale to raise capital. Down a combined 18% during a recent 6-session slide amid broad stock weakness in biotech, HALO is up 4.1% today at $13.85 to put the year's pop at 44%. (patrick.sheridan@wsj.com; @patmsheridan)

13:44 EDT - Drugs targeting cell-signaling molecules known as kinases have made a big impact on oncology, with products like Novartis's Gleevec being used to treat multiple cancers. Now Blueprint Medicines, a startup founded by scientists who discovered Gleevec, has filed for a $100M initial public offering. The kinase-drug market will reach $40.2B in 2016, up from nearly $29.1B in 2011, according to a 2012 BCC Research report. But today's medicines target less than 5% of kinase enzymes in the body, Blueprint says. Blueprint technology could enable it to target a wider range of kinases. Its pipeline includes a treatment for certain patients with hepatocellular carcinoma, the most common liver cancer. (brian.gormley@wsj.com)

13:33 EDT - ConocoPhillips (COP) has set the target pay for its chief executive this year at $16M, about $1.7M less than compensation for 2014, according to a securities disclosure today. The amounts exclude changes in pension value. Citing lower oil and gas prices, COP says it "made the difficult, but necessary, decision to eliminate annual salary adjustments" this year. That applies to all employees, including CEO Ryan Lance and other top executives. (daniel.gilbert@wsj.com; @WSJGilbert)

13:32 EDT - Houston-based oil-and-gas producer Harvest Natural's (HNR) annual report today includes a going-concern warning. The company--which has struggled to develop or sell its interests in Venezuela, one of the main places it operates--doesn't expect to generate revenue this year. "While we believe that we may be able to raise additional capital" through divestitures and/or selling equity and debt, "our circumstances at such time raises substantial doubt about our ability to continue as a going concern." HNR's problems have left the company's stock trading at 45c, versus $1.81 to end 2014, and it could get boosted from the NYSE later this year for its sub-$1 stock price. (erin.ailworth@wsj.com; @ailworth)

13:29 EDT - Intuitive Surgical (ISRG) had been seen by some investors as a potential acquisition target for Johnson & Johnson (JNJ), but that looks "less likely" today after JNJ's announced partnership with Google (GOOGL) to develop robotic surgery technology, Wells Fargo says. ISRG operates a virtual monopoly in selling robotic surgery machines today due to its extensive patent protection. Some of the company's patents expire in coming years, but it's unclear if and when competitors can enter the market. JNJ's deal with GOOGL is "the latest confirmation that computer-assisted surgery continues to grow to the point that others can no longer sit on the sidelines," an ISRG spokeswoman tells WSJ in an email. ISRG and JNJ each up 0.4%. (joseph.walker@wsj.com)

13:22 EDT - As the accounting tool zero-based budgeting rises in popularity among food companies, consultants at Accenture are extra busy, says Robert Willems, a managing director at the firm, which has worked with Campbell (CPB), Mondelez (MDLZ) and more. Accenture takes out costs that often the company hasn't found. "You get push-back from people thinking they know how much they're spending," he says. For instance, Accenture found that one company's training budget was three times larger than executives thought. Nit-picky cost-cuts, like limits on color copies and requiring receipts for everything, help by changing the culture. "It makes people think twice," he says. (annie.gasparro@wsj.com)

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(END) Dow Jones Newswires

March 27, 2015 14:29 ET (18:29 GMT)

文件 DJDN000020150327eb3r002xi

DOW JONES
NEWSWIRES

Many Companies Unprepared for Disaster Recovery -- Market Talk

1,444 字
2015 年 3 月 27 日 18:20
Dow Jones Institutional News
DJDN
英文

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13:12 EDT - Venture capital firms that launch biotechnology startups are drawing heavy interest from investors. Several biotech VCs that create companies have raised funds recently, including Flagship Ventures, which just secured $537M, nearly double the size of its previous fund. Biotech startups usually need many financings to develop a drug. This dilutes investor stakes and diminishes returns. Starting a company enables a VC firm to hold large positions. Flagship's stakes in companies it creates are usually at least twice as large as the positions it holds in portfolio companies that it didn't found. Other biotech company-creators raising new funds include Versant Ventures, which secured $305M late last year. (brian.gormley@wsj.com)

(END) Dow Jones Newswires

March 27, 2015 14:20 ET (18:20 GMT)

文件 DJDN000020150327eb3r002u4

American Express: ‘Stasis’
Barron's Blogs, 2015 年 3 月 27 日 16:37, 168 字, By Ben Levisohn, (英文)
After attending this week's investor meeting, JPMorgan's Richard Shane and team think shares of American Express (AXP) will be "range-bound" for a while:
文件 WCBBE00020150327eb3r001rx

DOW JONES
NEWSWIRES

American Express: 'Stasis' -- Barron's Blog

By Ben Levisohn
233 字
2015 年 3 月 27 日 16:37
Dow Jones Institutional News
DJDN
英文

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While shares of American Express have underperformed YTD (-15.6% vs S&P500 of -0.1%), we believe the stock remains range-bound. First, we note that the next-twelve-month consensus EPS multiple of 14.6x is roughly in-line with post-crisis levels. Second, we believe the stock may be in period of stasis with limited earnings growth over the next 12 to 24 months. Finally, while we believe American Express' long-term EPS targets are achievable (12-15% resuming in 2017), we believe American Express' long-term revenue growth objectives 8% may not be realistic given the maturity of American Express' core business and the limited impact of new products and initiatives.

Shares of American Express have dropped 0.9% to $77.74 at 12:28 p.m. today.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/

Access Investor Kit for American Express Co.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US0258161092

Access Investor Kit for JPMorgan Chase & Co.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US46625H1005

(END) Dow Jones Newswires

March 27, 2015 12:37 ET (16:37 GMT)

文件 DJDN000020150327eb3r002no

Biotech: ‘Unprecedented Times,’ Not a Bubble
Barron's Blogs, 2015 年 3 月 27 日 14:37, 423 字, By Ben Levisohn, (英文)
Credit Suisse analyst Ravi Mehrotra and team don't think biotech stocks--including Biogen Idec (BIIB) and Celgene (CELG)--are in a bubble. He explains why:
文件 WCBBE00020150327eb3r0012x

News & Commentary
As Treasury yields depress, these bonds are drawing interest

Ellie Ismailidou, MarketWatch
MarketWatch
497 字
2015 年 3 月 26 日 16:22
MarketWatch
MRKWC
英文

NEW YORK (MarketWatch) — As U.S. Treasury yields continue on a steady downward trend, analysts point to an often overlooked asset class as a strong alternative: municipal bonds.

What do muni bonds have to offer to fixed-income investors?

For one, so-called triple tax exemption, which means that bondholders don't pay federal, state or local taxes for interest payments that they receive on their bonds.

Traditionally, yields on municipal bonds have been lower than those of Treasuries because the interest on municipal bonds is tax-exempt, whereas the interest on Treasurys is taxable, said Peter Hayes, head of BlackRock's (BLK, US) municipal bonds group.

Municipal bonds can be viewed as an unsexy investment. And by one measure the so-called muni-to-treasury-yield ratio — a tool most commonly used to value the performance of the muni bond market — munis haven't merited much attention.

Typically, muni yields are lower than Treasurys, as munis offer the added perk of tax-exemption. However, recently, the muni-to-treasury ratio has signaled that the value of tax-exemption isn't being priced into the total return of municipal bonds, Hayes said.

This may create an opportunity for fixed-income investors.

Last Wednesday, the muni-to- treasury-yield ratio rose to a 15-month-high, after the Federal Reserve's announcement that it would increase rates at a pace slower than expected sparked a rally in the Treasury market, said Alan Schankel, managing director at Janney Capital Markets in a research note.

Investors have taken notice, with munis seeing $12.7 billion trading volume in the secondary market, Schankel added. That is roughly 30% higher than the average volume for munis over past year of $9.7 billion.

The 10-year muni to treasury yield ratio was 104% for 10-year bonds and 112% for 30-year bonds at market close on 23 March. These levels are widening the demand for munis, as investors seek to maximize profit, Hayes said.

There are some big drawbacks in the muni world, worth noting, especially since the investing horizon is different for the two markets.

The Treasury market is dominated by short-term traders, looking for capital gains, while the muni market caters to investors typically holding on to the debt until it matures. Capital gains are taxable whereas interest payments for muni debt is tax exempt.

Muni bonds also are much less liquid, which means it can be difficult for buyers to find sellers (and vice versa) at any given moment.

Finally, investors should consider that investing is all relative.

As the chart above shows, municipal bonds are currently rich when compared with corporate bonds, said Christopher Mier, chief strategist at Loop Capital Markets.

Currently, the average dividend yield on the 422 stocks in the S&P500 that pay dividends is 2.37%, about the same as the AAA-rated 13-year muni bond.

文件 MRKWC00020150326eb3q001jl

HK Bourse: Results Announcement From Asia Financial Holdings Ltd.

5,604 字
2015 年 3 月 24 日 08:46
Dow Jones Institutional News
DJDN
英文

For full details, please click on the following link:

http://www.hkexnews.hk/listedco/listconews/sehk/2015/0324/LTN20150324221.pdf

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2014

RESULTS
The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2014 as follows:

Consolidated Statement of Profit or Loss
Year ended 31st December, 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	3	1,279,625	1,448,080
Gross premiums		1,314,268	1,363,390
Reinsurers' share of gross premiums		(384,092)	(420,244)
Net insurance contracts premiums revenue		930,176	943,146
Gross claims paid		(506,792)	(528,717)
Reinsurers' share of gross claims paid		148,352	116,296
Gross change in outstanding claims		(174,213)	(234,008)
Reinsurers' share of gross change in outstanding claims		(20,546)	65,395
Net claims incurred		(553,199)	(581,034)
Commission income		73,601	72,087
Commission expense		(278,376)	(273,316)
Net commission expense		(204,775)	(201,229)
Management expenses for underwriting business		(60,483)	(62,325)
Underwriting profit		111,719	98,558

continued

1

Consolidated Statement of Profit or Loss (continued)
Year ended 31st December, 2014

	Notes	2014 HK$'000	2013 HK$'000
Dividend income		87,619	75,116
Realised gain/(loss) on investments		11,774	(5,598)
Unrealised gain on investments		141,857	63,910
Interest income		72,787	71,036
Other income and gains, net		21,293	9,379
		447,049	312,401
Operating expenses		(108,637)	(92,650)
Finance costs	4	(2,324)	(2,545)
		336,088	217,206
Share of profits and losses of joint ventures		41,639	35,809
Share of profits and losses of associates		29,826	35,202
PROFIT BEFORE TAX	5	407,553	288,217
Income tax expense	6	(33,900)	(13,010)
PROFIT FOR THE YEAR		373,653	275,207
Attributable to:			
Equity holders of the Company		365,507	270,731
Non-controlling interests		8,146	4,476
		373,653	275,207
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
- For profit for the year		HK35.9 cents	HK26.6 cents
Diluted			
- For profit for the year		N/A	N/A

Details of the dividends payable and proposed are disclosed in note 7 to the announcement.

24 Mar 2015 04:46 ET HK Bourse: Results Announcement From Asia Financial Holdings Ltd. -2-

Consolidated Statement of Comprehensive Income
Year ended 31st December, 2014

	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR	373,653	275,207
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	381,358	(167,423)
Share of other comprehensive income/(expense) of joint ventures:		
Changes in available-for-sale investment reserve	908	466
Changes in exchange reserve	996	(2,423)
	1,904	(1,957)
Share of other comprehensive income/(expense) of associates:		
Changes in available-for-sale investment reserve	1,172	(11,023)
Changes in exchange reserve	(9,548)	8,966
	(8,376)	(2,057)
Exchange differences on translation of foreign operations	4	(45)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	374,890	(171,482)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	748,543	103,725
ATTRIBUTABLE TO:		
Equity holders of the Company	740,042	102,606
Non-controlling interests	8,501	1,119
	748,543	103,725

3

Consolidated Statement of Financial Position
31st December, 2014

	2014 HK$'000	2013 HK$'000
ASSETS		
Property, plant and equipment	337,592	144,657
Investment properties	9,600	7,260
Interests in joint ventures	254,438	227,615
Loan to a joint venture	8,669	11,503
Interests in associates	329,426	291,389
Due from an associate	168,390	168,390
Deferred tax assets	5,756	7,111
Held-to-maturity securities	554,224	697,217
Available-for-sale securities	3,400,372	3,030,914
Pledged deposits	131,730	120,080
Loans and advances and other assets	188,225	220,352
Securities measured at fair value through profit or loss	1,636,611	1,912,760
Insurance receivables	208,927	250,395
Reinsurance assets	554,315	588,997
Cash and cash equivalents	2,172,877	1,566,933
Total assets	9,961,152	9,245,573
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Issued capital	1,019,200	1,019,200
Reserves	5,838,342	5,179,836
Proposed final dividend	50,960	45,864
	6,908,502	6,244,900
Non-controlling interests	38,391	30,520
Total equity	6,946,893	6,275,420
Liabilities		
Insurance contract liabilities	2,391,392	2,251,822
Insurance payables	138,144	200,163
Due to a joint venture	26,589	26,244
Due to associates	4,222	4,222
Other liabilities	244,713	257,315
Interest-bearing bank borrowing	150,000	200,000
Tax payable	49,353	20,541
Deferred tax liabilities	9,846	9,846
Total liabilities	3,014,259	2,970,153
Total equity and liabilities	9,961,152	9,245,573

4

24 Mar 2015 04:46 ET HK Bourse: Results Announcement From Asia Financial Holdings Ltd. -3-

Notes

1. Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies
Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition1
Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination1
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective HKFRSs

1 Effective from 1st July, 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

5

Notes (continued)

2. Operating Segment Information

(a) Operating segments

The following tables present revenue, profit, assets and liabilities for the Group's operating segments.

Group	Insurance 2014 HK$'000	Corporate 2014 HK$'000	Eliminations 2014 HK$'000	Consolidated 2014 HK$'000
Segment revenue:				
External customers	1,279,625	-	-	1,279,625
Other revenue, income and gains, net	228,487	106,843	-	335,330
Intersegment	6,555	-	(6,555)	-
Total	1,514,667	106,843	(6,555)	1,614,955
Segment results	286,562	49,526	-	336,088
Share of profits and losses of:				
Joint ventures	21,889	19,750	-	41,639
Associates	16,522	13,304	-	29,826
Profit before tax			407,553	
Income tax expense	(30,465)	(3,435)	-	(33,900)
Profit for the year			373,653	

Group	Insurance 2013 HK$'000	Corporate 2013 HK$'000	Eliminations 2013 HK$'000	Consolidated 2013 HK$'000
Segment revenue:				
External customers	1,448,080	-	-	1,448,080
Other revenue, income and gains, net	138,350	75,493	-	213,843
Intersegment	3,322	-	(3,322)	-
Total	1,589,752	75,493	(3,322)	1,661,923
Segment results	189,483	27,723	-	217,206
Share of profits and losses of:				
Joint ventures	18,185	17,624	-	35,809
Associates	16,799	18,403	-	35,202
Profit before tax			288,217	
Income tax expense	(9,259)	(3,751)	-	(13,010)
Profit for the year			275,207	

6

24 Mar 2015 04:46 ET HK Bourse: Results Announcement From Asia Financial Holdings Ltd. -4-

Notes (continued)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

Group	Insurance HK$'000	Corporate HK$'000	Consolidated HK$'000
31st December, 2014			
Segment assets	5,379,882	3,997,406	9,377,288
Interests in joint ventures	154,822	99,616	254,438
Interests in associates	140,291	189,135	329,426
Total assets	5,674,995	4,286,157	9,961,152
Segment liabilities	2,674,742	339,517	3,014,259

Group	Insurance HK$'000	Corporate HK$'000	Consolidated HK$'000
31st December, 2013			
Segment assets	5,043,178	3,683,391	8,726,569
Interests in joint ventures	134,132	93,483	227,615
Interests in associates	131,822	159,567	291,389
Total assets	5,309,132	3,936,441	9,245,573
Segment liabilities	2,549,219	420,934	2,970,153

(b) Geographical information

Over 90% of the Group's revenue and results are derived from operations carried out in Hong Kong, Macau and Mainland China.

3. Revenue

Revenue, which is also the Group's turnover, represents gross premiums net of discounts, from the direct and reinsurance businesses underwritten during the year.

4. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on a bank loan wholly repayable within five years	2,324	2,545

Notes (continued)

5. Profit before Tax

The Group's profit before tax is arrived at after crediting/(charging):

	2014 HK$'000	2013 HK$'000
Depreciation	(10,809)	(5,762)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	(101,356)	(90,114)
Pension scheme contributions	(4,543)	(4,120)
Less: Forfeited contributions	196	73
Net pension scheme contributions	(4,347)	(4,047)
Total employee benefit expense	(105,703)	(94,161)
Minimum lease payments under operating leases in respect of land and buildings	(1,263)	(1,305)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	(668)	(4,257)
- disposal of available-for-sale securities	12,381	58
- redemption/call-back of held-to-maturity securities	61	(1,399)
Total realised gain/(loss) on investments	11,774	(5,598)
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	143,057	64,004
Impairment of available-for-sale securities	(1,200)	(740)
Write-back of impairment of available-for-sale-securities	-	646
Total unrealised gain on investments	141,857	63,910
Interest income	72,787	71,036
Gain/(loss) on disposal/write-off of items of property, plant and equipment	75	(12)

Change in fair value of investment properties	2,340	2,490
Write-back of impairment allowance on insurance receivables	3	-
Net gain on conversion of convertible notes and disposal of the underlying shares*	25,353	-
Foreign exchange gain/(loss), net*	(9,478)	2,906
Dividend income from:		
Listed investments	62,340	62,982
Unlisted investments	25,279	12,134
Total dividend income	87,619	75,116

* Such amount was included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

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Notes (continued)

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2014 HK$'000	2013 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	29,065	16,431
Overprovision in prior years	(403)	(12,097)
Current - Elsewhere		
Charge for the year	4,068	4,216
Overprovision in prior years	(185)	-
Deferred	1,355	4,460
Total tax charge for the year	33,900	13,010

7. Dividends

	2014 HK$'000	2013 HK$'000
Interim - HK3.0 cents (2013: HK1.5 cents) per ordinary share	30,576	15,288
Proposed final - HK5.0 cents (2013: HK4.5 cents) per ordinary share	50,960	45,864
	81,536	61,152

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, the proposed final dividend has been included in the proposed final dividend reserve account within the equity attributable to the equity holders of the Company of the statement of financial position.

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$365,507,000 (2013: HK$270,731,000) and 1,019,200,000 (2013: 1,019,200,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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MANAGEMENT DISCUSSION AND ANALYSIS

(All changes in % refer to the same period last year)

Profit attributable to equity holders of the Company:	HK$365.5 million	+35.0%
Earnings per share:	HK35.9 cents	+35.0%
Final dividend per share:	HK5.0 cents	+11.1%
Total dividend per share:	HK8.0 cents	+33.3%

Asia Financial Holdings Limited ("Asia Financial") achieved net profit attributable to shareholders of HK$365.5 million in 2014, a 35.0% increase on the HK$270.7 million reported in 2013. This result is due to realised and unrealised year-on-year gains in the value of portfolio and other investments, and continued growth in underwriting profit. Overall returns from joint ventures and associates showed satisfactory performance.

Economic Background

The global economy remained largely weak during 2014 as it continued its long and often uncertain cyclical recovery from recession. Steady growth has finally returned to the United States, but Europe and Japan showed signs of deflation and the Chinese economy continued to slow down after a period of debt-and-investment-led expansion. Globally, investor and consumer confidence remained poor and interest rates remained at very low levels. Hong Kong showed GDP expansion slowed to 2.3% for the year, although employment and consumption held up.

Loose monetary policy around the world continued to help lift many asset prices during the year, notably in the United States, where the S&P500 ended the year up 11.4%. Chinese equities also performed well, with H Shares rising 10.8% during the year. However, the Hang Seng Index rose just 1.3%, reflecting the poor outlook for the broader world economy; this had a dampening effect on Asia Financial's investment income. Continued growth in Hong Kong's economy supported growth in insurance operations.

Management Approach and Future Prospects

There are reasons to be cautiously confident about the global outlook in the year ahead. On the one hand, asset prices cannot receive support from central banks' quantitative easing indefinitely. However, a stronger dollar and falling unemployment in the US should boost US consumption. Along with declines in world commodity prices, this should be positive for Asian export trade and mainland China's continued adjustment to a new slower-growth model. We hope to see reasonable growth in most of the economies and markets that affect Asia Financial's performance.

Despite this, we will maintain our prudent management of our cash and direct and indirect investments in the coming year. This is our longstanding approach, and it has served our shareholders well over the years. At the same time, we will continue to examine possible investment opportunities within acceptable levels of risk.

Asia Financial's expenses and other income for 2014 reflected steady management costs and income from dividends. We will be alert to upward pressure on costs should consumer price inflation remain strong in Hong Kong during 2015.

The outlook for our insurance operations is generally positive, thanks to the underlying economic strength of our main markets and management efforts to develop the scope of the business and the quality of its client base. The company will remain alert to possible new opportunities in health care coverage reforms in Hong Kong and in other health-related demographic and geographical sectors.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)
Our focus will remain very much on the long term, which we believe offers attractive future opportunities arising from the continued positive economic development in much of the East Asian region. In addition to ongoing plans for investments in various health-related projects mentioned below, we will continue to seek opportunities to build our interests in livelihood-related service industries such as insurance, retirement, health and wellness and property development, focused on Greater China and elsewhere in Asia. This choice of investment segments is based upon the transformation of the Greater China/East Asia region as a large middle class comes into being, societies age and governments seek market-based solutions to demographic policy challenges. This is the long-term environment on which
Asia Financial's management focuses.

Our existing base of investments fits well with our traditional expertise and networks of clients and partners, and is well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

Overview by Investment Segments

Insurance
Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance") achieved profit attributable to shareholders of HK$300.7 million, a 39.7% increase on the previous year. Turnover declined by 11.6%, largely as a result of increased competition, notably in liability, medical and property segments. Despite this, underwriting profit reached HK$113.2 million, representing a healthy increase of 13.6%, reflecting the underlying market strength of the business and a continued focus on high-quality business. (All the above figures are before elimination of intergroup transactions.) This performance was also helped by continued strength of sectors such as construction in the local and regional economy, and a lack of exposure to any major natural disasters during the reporting period.

This continued positive performance of insurance operations at a time of heightened competition is ultimately due to our basic approach of attracting and growing high-quality business and maintaining prudent balances between levels of reinsurance and direct insurance business and among geographical regions. The success of this approach is evident in Asia Insurance's status as one of Hong Kong's leading local general insurers.

There were no significant changes to the size and reach of our agent network.

Asia Insurance's securities holdings experienced year-on-year gains in valuations, helped in particular by unrealised gains in key strategic holdings and stable dividend and interest income.

Portfolio performance was otherwise largely stable, in line with a cautious strategy in light of market uncertainty. This meant a focus on good-quality equities and bonds in anticipation of new opportunities arising from interest-rate rises in the medium term. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

The 7.2% rise in expenses was largely due to upward pressure in the cost in Hong Kong of many general and professional services. Asia Insurance otherwise successfully kept costs under control and in line with market pay levels.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Insurance (continued)
The main potential problem for Asia Insurance's core business (and indeed for Hong Kong as a whole) would be a major slowdown in the Mainland or wider regional economy. Otherwise, core underwriting in 2015 looks likely to face similar challenges as in 2014, notably fiercer competition on pricing in the market and possibly a weakening of Hong Kong consumption levels. Asia Insurance is well positioned to meet such challenges. It will continue to use its risk-management capabilities to optimize the mix of business segments. And we will retain our long-term focus on maintaining and enhancing our sound reputation among a steadily expanding base of quality clients in the Hong Kong and regional general insurance market.

In December 2014, Asia Insurance joined several partners including Sirius International Insurance Corporation of Sweden, Sompo Japan Nipponkoa Insurance (Hong Kong) Company Limited and Sompo Japan Nipponkoa Reinsurance Company Limited in forming BE Reinsurance Limited, with paid-up capital of HK$500 million. The new venture will enable Asia Insurance to expand the international scope of its reinsurance activities, complementing the success of BC Reinsurance Limited.

We also see possible new sources of growth arising in time from the Hong Kong government's proposed measures to expand personal health care coverage, although this policy still faces some political uncertainty.

Prospects for portfolio investments reflect the wider global picture, and management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment all performed satisfactorily. BC Reinsurance Limited saw a healthy gain in investment income in line with equities market, and experienced steady underwriting profit. Hong Kong Life Insurance Limited's profit narrowed slightly, reflecting lower interest income. The People's Insurance Company of China (Hong Kong), Limited reported continued steady performance, while Professional Liability Underwriting Services Limited saw a decline in profit.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. It now ranks fifth in the Chinese market and operates a network of some 2,151 offices. PICC Life reported RMB80.2 billion in premium income for 2014, a 6.5% increase over 2013. All other business performance and risk control indicators showed positive and healthy figures. PICC Life's insurance liability reserves and solvency ratio were maintained at adequate levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 15.3% of our total assets.

Other Portfolio Investment
Year-on-year realised and unrealised gains on trading investments fell slightly compared with 2013. This largely reflected the very moderate gains made by the Hang Seng Index during the period and relatively cautious asset allocation. Income from non-trading investments and other income more than compensated for this. This included the proceeds from the sale of Suzhou property interests, conversion of our holding in convertible note and healthy dividends from strategic holdings. Net interest income declined owing to the disposal of bond holdings.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Other Portfolio Investment (continued)

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments are of investment grade or above.

Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

Health Care and Wellness
Our 3.6% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok remains one of our best performing investments, with its valuation rising 60.3% in 2014. This reflects market recognition of Bumrungrad's continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

In March 2014, Asia Financial announced the acquisition of a stake in Ulaanbaatar Songdo Hospital ("UBSD"), one of the leading hospitals in the capital of Mongolia. Our stake comprises a 20% share in a consortium with Bumrungrad. The consortium is taking a 51% stake in UBSD, which we hope will start to contribute returns during the year ahead. This is an opportunity to participate in significant growth in Mongolia's healthcare sector and an attractive long-term addition to our portfolio of investments in regional companies focusing on personal coverage and care services.

In October 2014, Asia Financial opened a wholly owned wellness centre aimed at the over-50s. The Kinnet, in the Sheung Wan district adjacent to Central, offers an extensive range of age-specific facilities and activities to nurture the physical, mental and emotional well-being of clients. Facilities include a well-equipped fitness centre, studios and a café. The venture benefits from a board of respected advisors in relevant health and social fields. Following its launch, the Kinnet has been successfully developing its client base.

This will be a long-term project seeking to serve Hong Kong's growing senior population. We see very attractive prospects in Hong Kong and possibly elsewhere in serving this developing market. As a producer of future operating income, it will also help diversify Asia Financial's investment base.

We continue to foresee good prospects in the health and wellness sectors in the region, owing to long-term demographic and policy trends, and we continue to consider further opportunities, including possibly in Mainland China.

Pension and Asset Management
The Group's holding in joint venture, Bank Consortium Holding Limited ("BCH") enjoyed healthy profit growth in 2014, and for the third year declared a dividend. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong and is increasing its fee income by providing back-office services to other players.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overview by Investment Segments (continued)

Property Development
The Group's interests in real estate are focused on Shanghai and represent 3.4% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake.

Sales of Phase 2 of the project are now mostly complete, yielding share of profits of HK$14.3 million booked in 2014. Demand for the remaining units is anticipated to be good.

Construction work is expected to start on Phase 3 in the second half of 2015, and application for sales permits should take place in the second half of 2016. Foundation work has been completed on a smaller lot of land in the same district, and construction on schedule for sales to begin in the second quarter of 2015. Sales revenue will be booked after 2015.

Prospects for China's residential property market and possibly future policy - such as an easing of ownership restrictions - are subjects of considerable discussion. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. Prices remain firm at these Shanghai projects, which are aimed at middle-class end-users and are in attractive locations for transport and schools. We will consider new possible opportunities in this sector.

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2014 amounted to HK$2,172,877,000 (2013: HK$1,566,933,000).

The Group had a bank borrowing of HK$150,000,000 as at 31st December, 2014 (2013: HK$200,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2015 and charged at 1.15% over the 3-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 31st December, 2014. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, amounts due to associates and a joint venture, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

The Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitment and working capital requirements.

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MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on Assets

As at 31st December, 2014, Asia Insurance charged assets with a carrying value of HK$128,853,000 (2013: HK$127,981,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK$150,000,000 (2013: HK$200,000,000) to a bank to secure the interest-bearing bank borrowing of HK$150,000,000 (2013: HK$200,000,000).

Contingent Liabilities

As at 31st December, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK$140.7 million) (2013: RMB112.5 million) issued by the Company in favour of The
People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of a 10-year subordinated term debt of RMB2.25 billion issued by PICC Life Insurance Company Limited. The counter guarantee will expire on 25th April, 2019.

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2014 was 281 (2013: 261). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

The remuneration policy of the Group is formulated and recommended by the Remuneration Committee of the Company for the Board's approval. The Remuneration Committee's responsibilities include reviewing and approving the management's remuneration proposals, and making recommendations to the Board on the adjustments to remuneration packages payable to directors, senior management and employees of the Group.

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ANNUAL GENERAL MEETING
The Annual General Meeting (the "AGM") of the Company will be held on Wednesday, 20th May, 2015. Notice of the AGM will be published and despatched to the shareholders on or about Monday, 20th April, 2015.

FINAL DIVIDEND
The Board has resolved to recommend to the shareholders the payment of a final dividend of HK5.0 cents (2013: HK4.5 cents) per share which, together with the interim dividend of HK3.0 cents (2013: HK1.5 cents) per share, will make a total dividend of HK8.0 cents (2013: HK6.0 cents) per share for the year ended 31st December, 2014. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Tuesday, 2nd June, 2015 and the dividend warrants will be despatched to shareholders on or about Wednesday, 10th June, 2015.

CLOSURE OF REGISTER OF MEMBERS
The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of ascertaining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	4:30 p.m. on 15th May, 2015
Book close dates (both days inclusive)	18th to 20th May, 2015
Record date	20th May, 2015
AGM	20th May, 2015

(b) For the purpose of ascertaining shareholders' entitlement to the proposed final dividend:

Ex-dividend date for final dividend	27th May, 2015

Latest time to lodge transfers	4:30 p.m. on 28th May, 2015
Book close dates (both days inclusive)	29th May to 2nd June, 2015
Record date for final dividend	2nd June, 2015

All transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than the above specified time.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES
During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

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CORPORATE GOVERNANCE CODE
Throughout the year ended 31st December, 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REVIEW OF RESULTS
The Audit Committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31st December, 2014.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT
This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2014 annual report will be despatched to the shareholders and available at the same websites on or about Monday, 20th April, 2015.

Source: Hong Kong Exchanges & Clearing
(END) Dow Jones Newswires

March 24, 2015 04:48 ET (08:48 GMT)

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Stocks Soar as Fed Softens Its Rate Plans

By Vito J. Racanelli
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2015 年 3 月 23 日
Barron's
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The stock market soared nearly 3% last week, closing just below previous all-time highs. Investors celebrated the Federal Reserve's go slower policy on raising interest rates. The central bank's statements suggested hikes would be fewer, and possibly smaller and later than previously expected, given low inflation and less-than-robust economic U.S. expansion.

The market has blown hot and cold in recent weeks, shifting with perceptions about the timing of the first Fed Fund's rate hike. When a June move was anticipated, stocks fell, as they did in the previous two weeks. Now it seems investors are back to thinking the first hike will be in September and that there will be fewer this year.

Indeed, the Fed's own median Fed Funds rate projection for 2015's end, released Wednesday, is about 0.625%, down from 1.12% in December. That brought the central bank closer to the more gradual trajectory that Fed Fund futures market has been predicting all along.

Fed projections were "marked to market," says David Lefkowitz, senior equity strategist at UBS Wealth Management Research, and the "Goldilocks" scenario pleased investors. The Fed's median remains above the futures market prediction of about 0.5%.

Last week, the Dow Jones Industrial Average tacked on 378 points, or 2.1%, to 18127.65, while the Standard & Poor's 500 index jumped 55 points, or 2.7%, to 2108.10. The Nasdaq Composite gained 155, or 3.2%, to 5026.42, not far below its high of 5048, set back in 2000.

"The Fed moved the goal posts in a substantial way" and pushed out the timing on rate hikes, says Jonathan Golub, chief U.S. market strategist for RBC Capital Markets. Rates will be lower for longer than the market thought, which is attractive for risk assets like equity, he adds.

It lowered the bar on the unemployment rate needed for a hike, to 5%-5.2%, instead of 5.2% 5.5%, he says. With the rate already 5.5%, the Fed gave itself more wiggle room on timing. It also downgraded its forecasts of U.S. GDP growth to 2.3%-2.7% this year, from 2.6%-2.7%.

Partly behind the Fed's actions, says Golub, is a quiet desire to contain the dollar, which has risen 25% in the last 10 months and will hurt the profits of U.S. multinationals. That's something investors will be looking at keenly, and soon.

For the near term, however, the market will be in limbo, as first-quarter earnings reports don't begin for three weeks and the economic data calendar is relatively sparse until then.

Oil's effect is built in, and the bottom up analyst EPS estimates for the first quarter have stopped going down, a potential salutary influence, Golub notes. Nevertheless, the magnitude of the effect of the rising dollar on earnings is yet to be ascertained and could lead to surprises and volatility.

On Sale! Michael Kors Shares

Since hitting a high of $101 more than a year ago, shares of luxury-goods maker Michael Kors (ticker: KORS) have been relegated to the discount rack. Its "affordable luxury" bags may be pricey, but the stock isn't.

The main culprit is slowing sales growth, down from superheated 60% quarterly rises, to the merely strong, about 30%. For most luxury companies that's still excellent, but the momentum investors in the stock have bailed, fearing continued growth deceleration and fallout on operating margins.

Nevertheless, the drop likely discounts that concern. A long-term investor wanting to inject growth into his or her portfolio could do worse than Kors at the current price of $66.13. In the fiscal third quarter ended

December, sales rose 30% to $1.3 billion, and earnings gained to $303.7 million, or $1.48 per share, from $229.6 million, or $1.11. Still, some investors think it signals the dreaded "brand maturation."

Kors' U.S. same-store growth comparisons have dropped to about 6% from a white-hot 24%. That's normal for a firm that's grown quickly and was much smaller not too long ago. With over 700 stores or concessions around the world, Kors has also been hurt by a strong dollar.

Investors should see these changes as recognition of the Kors brand's staying power, a positive sign for future strong, if slower, growth. Bears apply the word fad to Kors, but a look at the track record suggests that's inappropriate. At the end of fiscal 2012, the stock was at $47 and annual sales were $1.3 billion. Three years later, sales have soared more than 200% yet the stock is up only 40%.

One investor who had sold Kors shares previously but is again bullish is John Wells, co-manager of Christopher Weil & Co. Core Investment fund (CWCFX), which has 1.5% of its portfolio invested in Kors, down from 4% at one point.

Kors continues to show exemplary growth, its shares are cheaper than competitors, and its products enjoy great brand recognition, he points out. As the momentum money leaves, the "growth-at-a-reasonable-price" investor will come in, he avers. His fund began adding shares in the last quarter and is allocating a portion of incoming money to Kors.

The stock trades at a price/earnings ratio of less than 14 times consensus analysts' earnings per share (EPS) estimates of $4.80 for fiscal 2016, which ends next March. In fiscal 2015, the expectation is $4.30.

Meanwhile, the stock of rival Coach (COH) -- whose sales are about the same as Kors' but have dropped sharply for two years -- trades at 21 times fiscal 2016 for slower EPS growth. A smaller Kate Spade (KATE) trades at over 30 times. In both cases, consensus EPS projections have been dropping even as Kors' has been going up.

Wells scoffs at the idea Kors is mature or a cheaper brand than Coach. For example, Kors bags -- the majority of its total sales -- run from $50 to $10,000, while at Coach they are $125 to $1,100, he says. In the variety of its offerings, Kors "seems to be knocking on the door of LVMH (MC.France)," the biggest luxury firm in the world. It trades at a P/E of 20.

Kors understands social media and millenials, Wells says. It has 16.6 million Facebook followers to Coach's 5.6 million. Kors online sales have also been surprisingly strong, with 73% growth in the last quarter.

The reversal of the momentum that took these shares arguably too high last year might still bring them down a little lower as stragglers exit. And it may take some time for GARP investors to recognize the opportunity and move in.

Customers would love a Kors bag for less, so why wouldn't investors feel the same way about the shares? Kors will likely hit $5 billion in sales and $5.50 per share EPS in the intermediate term. The company deserves a P/E of at least 15 and that would bring the stock price to $82, nearly 25% higher.

Rethinking Global Allocations

Going into 2015, consensus had it that the U.S. stock market was the place to be. The country's GDP was expanding, Europe was an economic mess, and the rest of the world, especially emerging markets, was grasping after fragile hopes of better days.

It hasn't worked out that way, and equity-friendly conditions elsewhere in the world could foster more U.S. underperformance.

This year, the MSCI World index of developed markets excluding the U.S. is up 3.8% in dollar terms, compared with the MSCI USA index, up 2.8%. MSCI Europe is up 18% in local currency terms and 6% in dollars. MSCI Japan is stomping the U.S., up about 12% in yen and 11% in dollars. The rest of Asia is up 4% in dollars.

A recent survey from Bank of America Merrill Lynch suggests that many large global institutional investors have changed their minds about where 2015's best equity performance might be. A net 19% of global asset allocators are now underweight U.S. stocks, the biggest underweight since January 2008. It's happened in a very short time, since this is a big swing from a net overweight in February, the survey says.

Where's that money gone? To Europe and Japan, and investors polled indicated that the shift has only just begun. Some 63% say Europe is the region they would most like to overweight in the coming 12 months, up from just 18% in January.

Global equity investors are reacting to interest-rate differentials around the world. The U.S. will soon raise rates. Most of the central banks of other nations, both developed and emerging, are embarking on or have already instituted various monetary-easing policies to stimulate their growth, notes Ed Yardeni, president of Yardeni Research.

"Central banks around the world are trying to scare investors into stocks," he says, by making fixed-income assets less attractive, just as the Fed has done in the U.S. Moreover, Europe, for example, has shown signs of economic life lately, a trend that would be a positive surprise for equities.

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Will it continue? "Don't bet against central banks," Yardeni adds. Stock valuations remain cheaper outside the U.S. generally, even after a big run up in some foreign markets. Should Europe continue to surprise on the upside, stocks will follow.

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e-mail: vito.racanelli@barrons.com

Vital Signs

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DJIndustrials	18127.65	+378.34	+2.13
DJTransportation	9148.13	+203.00	+2.27
DJUtilities	595.33	+22.41	+3.91
DJ65Stocks	6497.52	+154.71	+2.44
DJUSMarket	532.55	+14.16	+2.73
NYSEComp.	11070.53	+319.51	+2.97
NYSEMKTComp.	2442.38	+67.04	+2.82
S&P500	2108.10	+54.70	+2.66
S&PMidCap	1539.61	+48.49	+3.25
S&PSmallCap	727.26	+20.02	+2.83
Nasdaq	5026.42	+154.66	+3.17
ValueLine(arith.)	4863.07	+127.76	+2.70
Russell2000	1266.37	+34.23	+2.78
DJUSTSMFloat	22098.01	+584.84	+2.72

	Last Week	Week Earlier
NYSE		
Advances	2,515	1,411
Declines	745	1,834
Unchanged	24	35

NewHighs	422	180
NewLows	172	222
AvDailyVol(mil)	3,792.3	3,427.0
Dollar		
(Finexspotindex)	97.80	100.18
T-Bond		
(CBTnearbyfutures)	164-050	159-190
Crude Oil		
(NYMlightsweetcrude)	45.72	44.84
Inflation KR-CRB		
(FuturesPriceIndex)	214.11	210.70
Gold		
(CMXnearbyfutures)	1184.80	1152.60

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文件 B000000020150321eb3n00010

DOW JONES
NEWSWIRES

The Trader: Stocks Soar As Fed Softens Its Rate Plans -- Barron's

2,143 字
2015 年 3 月 21 日 04:07
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 3/23/15)
By Vito J. Racanelli

The stock market soared nearly 3% last week, closing just below previous all-time highs. Investors celebrated the Federal Reserve's go slower policy on raising interest rates. The central bank's statements suggested hikes would be fewer, and possibly smaller and later than previously expected, given low inflation and less-than-robust economic U.S. expansion.

The market has blown hot and cold in recent weeks, shifting with perceptions about the timing of the first Fed Fund's rate hike. When a June move was anticipated, stocks fell, as they did in the previous two weeks. Now it seems investors are back to thinking the first hike will be in September and that there will be fewer this year.

Indeed, the Fed's own median Fed Funds rate projection for 2015's end, released Wednesday, is about 0.625%, down from 1.12% in December. That brought the central bank closer to the more gradual trajectory that Fed Fund futures market has been predicting all along.

Fed projections were "marked to market," says David Lefkowitz, senior equity strategist at UBS Wealth Management Research, and the "Goldilocks" scenario pleased investors. The Fed's median remains above the futures market prediction of about 0.5%.

Last week, the Dow Jones Industrial Average tacked on 378 points, or 2.1%, to 18127.65, while the Standard & Poor's 500 index jumped 55 points, or 2.7%, to 2108.10. The Nasdaq Composite gained 155, or 3.2%, to 5026.42, not far below its high of 5048, set back in 2000.

"The Fed moved the goal posts in a substantial way" and pushed out the timing on rate hikes, says Jonathan Golub, chief U.S. market strategist for RBC Capital Markets. Rates will be lower for longer than the market thought, which is attractive for risk assets like equity, he adds.

It lowered the bar on the unemployment rate needed for a hike, to 5%-5.2%, instead of 5.2% 5.5%, he says. With the rate already 5.5%, the Fed gave itself more wiggle room on timing. It also downgraded its forecasts of U.S. GDP growth to 2.3%-2.7% this year, from 2.6%-2.7%.

Partly behind the Fed's actions, says Golub, is a quiet desire to contain the dollar, which has risen 25% in the last 10 months and will hurt the profits of U.S. multinationals. That's something investors will be looking at keenly, and soon.

For the near term, however, the market will be in limbo, as first-quarter earnings reports don't begin for three weeks and the economic data calendar is relatively sparse until then.

Oil's effect is built in, and the bottom up analyst EPS estimates for the first quarter have stopped going down, a potential salutary influence, Golub notes. Nevertheless, the magnitude of the effect of the rising dollar on earnings is yet to be ascertained and could lead to surprises and volatility.

On Sale! Michael Kors Shares

Since hitting a high of $101 more than a year ago, shares of luxury-goods maker Michael Kors (ticker: KORS) have been relegated to the discount rack. Its "affordable luxury" bags may be pricey, but the stock isn't.

The main culprit is slowing sales growth, down from superheated 60% quarterly rises, to the merely strong, about 30%. For most luxury companies that's still excellent, but the momentum investors in the stock have bailed, fearing continued growth deceleration and fallout on operating margins.

Nevertheless, the drop likely discounts that concern. A long-term investor wanting to inject growth into his or her portfolio could do worse than Kors at the current price of $66.13. In the fiscal third quarter ended December, sales rose 30% to $1.3 billion, and earnings gained to $303.7 million, or $1.48 per share, from $229.6 million, or $1.11. Still, some investors think it signals the dreaded "brand maturation."

Kors' U.S. same-store growth comparisons have dropped to about 6% from a white-hot 24%. That's normal for a firm that's grown quickly and was much smaller not too long ago. With over 700 stores or concessions around the world, Kors has also been hurt by a strong dollar.

Investors should see these changes as recognition of the Kors brand's staying power, a positive sign for future strong, if slower, growth. Bears apply the word fad to Kors, but a look at the track record suggests that's inappropriate. At the end of fiscal 2012, the stock was at $47 and annual sales were $1.3 billion. Three years later, sales have soared more than 200% yet the stock is up only 40%.

One investor who had sold Kors shares previously but is again bullish is John Wells, co-manager of Christopher Weil & Co. Core Investment fund (CWCFX), which has 1.5% of its portfolio invested in Kors, down from 4% at one point.

Kors continues to show exemplary growth, its shares are cheaper than competitors, and its products enjoy great brand recognition, he points out. As the momentum money leaves, the "growth-at-a-reasonable-price" investor will come in, he avers. His fund began adding shares in the last quarter and is allocating a portion of incoming money to Kors.

The stock trades at a price/earnings ratio of less than 14 times consensus analysts' earnings per share (EPS) estimates of $4.80 for fiscal 2016, which ends next March. In fiscal 2015, the expectation is $4.30.

Meanwhile, the stock of rival Coach (COH) -- whose sales are about the same as Kors' but have dropped sharply for two years -- trades at 21 times fiscal 2016 for slower EPS growth. A smaller Kate Spade (KATE) trades at over 30 times. In both cases, consensus EPS projections have been dropping even as Kors' has been going up.

Wells scoffs at the idea Kors is mature or a cheaper brand than Coach. For example, Kors bags -- the majority of its total sales -- run from $50 to $10,000, while at Coach they are $125 to $1,100, he says. In the variety of its offerings, Kors "seems to be knocking on the door of LVMH (MC.France)," the biggest luxury firm in the world. It trades at a P/E of 20.

Kors understands social media and millenials, Wells says. It has 16.6 million Facebook followers to Coach's 5.6 million. Kors online sales have also been surprisingly strong, with 73% growth in the last quarter.

The reversal of the momentum that took these shares arguably too high last year might still bring them down a little lower as stragglers exit. And it may take some time for GARP investors to recognize the opportunity and move in.

Customers would love a Kors bag for less, so why wouldn't investors feel the same way about the shares? Kors will likely hit $5 billion in sales and $5.50 per share EPS in the intermediate term. The company deserves a P/E of at least 15 and that would bring the stock price to $82, nearly 25% higher.

Rethinking Global Allocations

Going into 2015, consensus had it that the U.S. stock market was the place to be. The country's GDP was expanding, Europe was an economic mess, and the rest of the world, especially emerging markets, was grasping after fragile hopes of better days.

It hasn't worked out that way, and equity-friendly conditions elsewhere in the world could foster more U.S. underperformance.

This year, the MSCI World index of developed markets excluding the U.S. is up 3.8% in dollar terms, compared with the MSCI USA index, up 2.8%. MSCI Europe is up 18% in local currency terms and 6% in dollars. MSCI Japan is stomping the U.S., up about 12% in yen and 11% in dollars. The rest of Asia is up 4% in dollars.

A recent survey from Bank of America Merrill Lynch suggests that many large global institutional investors have changed their minds about where 2015's best equity performance might be. A net 19% of global asset allocators are now underweight U.S. stocks, the biggest underweight since January 2008. It's happened in a very short time, since this is a big swing from a net overweight in February, the survey says.

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Will it continue? "Don't bet against central banks," Yardeni adds. Stock valuations remain cheaper outside the U.S. generally, even after a big run up in some foreign markets. Should Europe continue to surprise on the upside, stocks will follow.

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21 Mar 2015 00:07 ET The Trader: Stocks Soar As Fed Softens Its Rate -2-

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NYSEMKTComp.	2442.38	+67.04	+2.82
S&P500	2108.10	+54.70	+2.66
S&PMidCap	1539.61	+48.49	+3.25
S&PSmallCap	727.26	+20.02	+2.83
Nasdaq	5026.42	+154.66	+3.17
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(END) Dow Jones Newswires

March 21, 2015 00:07 ET (04:07 GMT)

文件 DJDN000020150321eb3l0001c

Why Biogen Deserves a Higher Valuation
Barron's Blogs, 2015 年 3 月 19 日 14:59, 284 字, By Ben Levisohn, (英文)
Biogen Idec (BIIB) is more expensive than Gilead Sciences (GILD), Amgen (AMGN) and Celgene (CELG)--and Credit Suisse analyst Ravi Mehrotra and team believes it should be. They explain why:
文件 WCBBE00020150319eb3j0015q

BARRON'S

MARKET WEEK
Stocks --- The Trader: Oil Falls, Dollar Rises, and the Market Retreats

By Vito J. Racanelli
2,019 字
2015 年 3 月 16 日
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Stocks backpedaled last week, pressured on one side by a strengthening U.S. dollar and on the other by falling energy prices. Shares of large-cap firms in particular -- thanks to foreign exposure -- suffered most from the downward pressure, while more domestic revenue-oriented small caps bucked the trend and rose sharply.

Some investors lightened up on equities in anxious anticipation of the Federal Open Market Committee meeting this week. No rate hike is expected just yet, but investors fear wording changes in the FOMC's press release Wednesday that could spook the market.

Oil prices again lost ground, after a few weeks of stability, reigniting worries about energy stocks, which fell 3%, and deflation anxieties. Oil fell 10% to $44.84 per barrel. U.S. economic data ran the gamut from weak, like February retail sales, to good, like weekly jobless claims, but played a background role.

Last week, the Dow Jones Industrial Average lost 108, or 0.6%, to 17,749.31, while the Standard & Poor's 500 index fell 18 points, or 0.9%, to 2053.40. The Nasdaq Composite dropped 56, or 1.1%, to 4871.76. The small cap Russell 2000 index gained 1.2% to 1232.13.

"People are starting to think earnings will be flat this year," thanks to the dollar's potentially painful influence, says Benjamin Halliburton, chief investment officer of Tradition Capital Management. Negative first quarter earnings preannouncements will probably begin soon, he adds, and the March quarter at least will be "abysmal for energy companies, poor for most big companies, and weak in general."

A strong dollar is better for Corporate America long term, adds Halliburton, but "in the current world, investors are at most interested in the next 12 months." The dollar index is on course for a 13.8% gain in the first quarter, the largest quarterly jump since the 1992 European monetary crisis, according to Bank of America Merrill Lynch.

Headlines bemoan the dollar, but the U.S. is a net importer, so the average Joe and Jane see greater purchasing power and lower inflation. U.S. companies have to get leaner and meaner. While U.S. exports cost foreigners more and the translation hurts earnings comparisons in the short term, U.S. firms have more buying power overseas. A stronger dollar makes U.S. assets more attractive to foreigners.

The February producer price index released Friday declined 0.5%, weaker than anticipated.

Though the market expects a Fed hike around June, Scott Colyer, CEO of Advisors Asset Management, demurs. The PPI shows no sign of inflation. "The downside to the Fed of doing nothing is pretty minimal, while a hike could threaten the recovery," says Colyer, who believes the Fed won't raise interest rates until 2016.

Whether it's June or January, it's hard to see the market moving sustainably higher until the Fed drops the veil.

Pinnacle Not Yet Reached

Gaming and Leisure Properties will most likely have to raise its $36-per-share offer for the real estate assets of regional casino operator Pinnacle Entertainment by 10% to 25% to pass muster with a majority of Pinnacle shareholders. It probably will take $40 and possibly a few dollars more, according to large institutional owners of Pinnacle with whom Barron's spoke.

Last Monday, Gaming and Leisure (ticker: GLPI), a real estate investment trust, made the unsolicited proposal that it said values Pinnacle (PNK) at a roughly 30% premium to the previous closing price. Last week, Pinnacle stock rose 25%, to $34.39; GLPI's shares climbed as well, by 12%, to $36.02.

Pinnacle, which has 15 casinos in eight states, is splitting itself into an operating company (OpCo), which would own and operate its gambling assets, and a REIT (PropCo), which would own the underlying property. Pinnacle shareholders would get new shares of each company; such splits often lead to increased shareholder value on a combined basis. However, Pinnacle still needs IRS approval for the move, as well as equity financing, and a split is unlikely before 2016.

GLPI says its offer -- 0.5517 of one of its shares for each Pinnacle share -- already has financing and could be effected before the end of the year. Pinnacle holders would get about 36 million GLPI shares and a 20% stake in the combined GLPI-PropCo entity.

Some Pinnacle shareholders, however, say the bid undervalues the PropCo and, by extension, Pinnacle's stock. The offer for the PropCo is about $4.1 billion, resulting in its having a pro forma ratio of enterprise value (EV, market cap plus net debt) to earnings before interest, taxes, depreciation, and amortization (Ebitda) of about 11.2 times.

In the proposal, notes one shareholder, GLPI says similar-sized REITs are valued at 13 times. Something like 12.5 to 13 times the PropCo's estimated $365 million annual Ebitda is more likely to succeed, he says, and that would bring the bid to at least $40 and as high as $45.

GLPI's proposal also puts the GLPI-PropCo combination at an EV/Ebitda ratio of 14.7 times, on a pro forma basis. That makes the offer for Pinnacle at the current level accretive to GLPI. The GLPI-PropCo combination would create the third-largest triple-net lease REIT. The rationale behind GLPI's offer is that the larger REIT, with a more diversified rent base, presumably will get a higher valuation. (In triple-net leases, the lessee pays rent, all taxes, insurance, and maintenance costs.)

It also means there's room for a higher bid, Pinnacle shareholders say. GLPI's letter to Pinnacle's board last week left the door open to an alternate structure, such as making cash part of the proposition.

An offer that valued Pinnacle's PropCo at 13 times EV/Ebitda would still be accretive to GLPI and could get the deal done, says another shareholder.

Even GLPI's shares jumped on the news of the proposal, suggesting investors think highly of the offer. "But it's not going to happen at this [bid] level," says one of Pinnacle's larger institutional holders.

Pinnacle declined to comment, and GLPI didn't reply to requests for comment. The offer is just a proposal and anything can happen, but GLPI will probably have to stump up some more money.

Sinclair's Appealing Assets

A report from Nielsen last week reconfirmed that streaming and video-on-demand services continue to eat into traditional TV watching by Americans. Among the findings: In 2014's fourth quarter, the amount of time people spent watching video on the Internet rose to 10.5 hours a month from 7.5 a year earlier, while traditional TV-watching time fell by six hours, or 4%, to 149.

Fear of folks "cutting the cord" and spending less time on traditional TV broadcasts has hurt shares of cable companies and broadcasters. The loss of viewers can have negative repercussions on broadcaster's advertising revenue and reduce the number of cable subscribers.

Sinclair Broadcast Group (SBGI), which owns and operates about 163 broadcast TV stations in 79 U.S. markets, has seen its stock drop nearly 25%, from a high of $37 last year to $28.02 recently. The company, which sports a steady, profitable track record and historically has grown through acquisitions, reaches about 37.5% of U.S. households with a TV. Consequently, it now bumps up against the regulatory size ceiling of 39%, so growth from additional stations would be difficult. Congress might revisit those limits in the next year or so, but it's unclear if any changes will be made.

Investors shouldn't ignore these risks, but Sinclair's stock might be discounting too much gloom and too little potential good news over the next 12 months. Once some of these positive catalysts occur, the stock could rise back toward the old high.

TV remains one of the best ways for many kinds of advertisers, both national and local, whether they be car makers or politicians, to reach a broad audience, says Eric Green, a portfolio manager at Penn Capital Management. Penn owns a 1% stake in Sinclair. Broadcast local news remains important to viewers, he adds, and a lot more people watch it than, say, ESPN.

The current stock price undervalues Sinclair's broadcast-spectrum licenses, among other things, Green contends. The value of such assets are rising fast. How much Sinclair's are worth -- regardless of whether the company decides to sell spectrum or not -- should become clear in the Federal Communications Commission-sponsored spectrum auctions expected next year. A recent Wells Fargo Securities report valued Sinclair's spectrum at a potential $3.7 billion to $5.1 billion, using a range of estimates prepared for the FCC by advisory bank Greenhill. Among its peers, Sinclair's spectrum assets were the most undervalued as a percentage of market value, the report asserted.

The $4.4 billion midpoint of Wells Fargo's range, Green notes, is far above Sinclair's stock-market value of $2.7 billion. Once the auctions crystallize the spectrum value, investors will begin to price Sinclair's assets more appropriately, Green avers. The Hunt Valley, Md.-based broadcaster has about $3.9 billion in total debt.

Green also argues that Sinclair should get significantly more cash in the next two years from retransmission fees. (These are paid by cable companies to TV broadcasters, in exchange for the right to include TV feeds in their cable bundles.) Such fees have been rising and while Sinclair doesn't disclose what it obtains, Green estimates its fees will rise to $1.50 to $2 per sub from roughly $1 to $1.25 currently. Much of the increase will drop straight to the bottom line, he adds. Sinclair's geographically diverse station base has affiliates with all the major networks.

The stock, meanwhile, is fetching just 16 times analysts' consensus earnings estimates of $1.69 this year, and 10 times the $2.72 expected next year -- roughly a 25% discount to its peers. In 2014, EPS was $1.92.

Since advertising for U.S. elections and global sports events, such as the Olympics, typically take place in even-numbered years, broadcasters' results often jump in those years -- and 2016 will be such a year.

Sinclair's 2014 results were also boosted sharply by acquired stations. For now, Sinclair can't add too many more stations, but it's only just starting to get the accretive benefit of those it has acquired recently, says Green, who values the stock at $40.

With a large short position in the stock, Sinclair has few believers. However, over the next 12 months, the catalysts should force the market to focus more on its attractive assets.

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Vital Signs

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DJ65Stocks	6342.81	-8.55	-0.13
DJUSMarket	518.39	-3.67	-0.70
NYSEComp.	10751.02	-91.15	-0.84
NYSEMKTComp.	2375.34	-87.84	-3.57
S&P500	2053.40	-17.86	-0.86
S&PMidCap	1491.12	+4.50	+0.30
S&PSmallCap	707.24	+10.06	+1.44
Nasdaq	4871.76	-55.61	-1.13
ValueLine(arith.)	4735.31	-6.04	-0.13
Russell2000	1232.14	+14.62	+1.20
DJUSTSMFloat	21513.17	-130.72	-0.60

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NYSE		
Advances	1,411	843
Declines	1,834	2,411
Unchanged	35	29
NewHighs	180	362
NewLows	222	98
AvDailyVol(mil)	3,427.0	3,381.0

Dollar (Finexspotindex)	100.18	97.72
T-Bond (CBTnearbyfutures)	159-190	155-200
Crude Oil (NYMlightsweetcrude)	44.84	49.61
Inflation KR-CRB (FuturesPriceIndex)	210.70	220.14
Gold (CMXnearbyfutures)	1152.60	1164.10

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DOW JONES
NEWSWIRES

Biotech: Higher Rates Could Hurt -- Barron's Blog

By Ben Levisohn
317 字
2015 年 3 月 16 日 15:54
Dow Jones Institutional News
DJDN
英文

With a Fed rate hike looking likely to happen this year, Deutsche Bank's Robyn Karnauskas and team note that biotech stocks generally head in the opposite direction of rates:

Biotech performance is inversely related to interest rates. Interestingly, we note that this correlation is stronger for Biotechs vs. S&P500: Given the news around the possibility of interest rate increase, investors are asking about the potential correlation between interest rates and Biotechs. We plotted last 20 years of Biotech performance (NASDAQ Biotechnology Index and NYSE ARCA Biotech Index) vs. 20 year bond rate & found the correlation at negative 0.78 for the NYSE ARCA Biotech Index while it was negative 0.69 for the NASDAQ Biotechnology Index. The correlation b/w S&P500 & rates was negative 0.61 in same time period. While we do not know the exact reason for the better correlation but it could be due to higher beta of biotechs causing higher impact on cost of equity.

Whatever the reason, that should give investors pause who have loaded up on biotech stocks, whether ETFs like the iShares NASDAQ Biotechnology ETF (IBB) and the SPDR S&P Biotech (XBI), or individual stocks like Intercept Pharmaceuticals (ICPT) and Neurocrine Biosciences (NBIX), which have surged more than 80% this year.

The iShares NASDAQ Biotechnology ETF has gained 2.1% to $352.36 at 11:43 a.m., while the SPDR S&P Biotech ETF has risen 1.2% to $231.24, Intercept Pharmaceuticals has jumped 6.1% to $298.47, and Neurocrine Biosciences has advanced 1.5% to $41.58.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/
Access Investor Kit for Neurocrine Biosciences, Inc.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US64125C1099

(END) Dow Jones Newswires

March 16, 2015 11:54 ET (15:54 GMT)

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Biotech: Higher Rates Could Hurt
Barron's Blogs, 2015 年 3 月 16 日 15:54, 279 字, By Ben Levisohn, (英文)
With a Fed rate hike looking likely to happen this year, Deutsche Bank's Robyn Karnauskas and team note that biotech stocks generally head in the opposite direction of rates:
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DOW JONES
NEWSWIRES

The Trader: Oil Falls, Dollar Rises, And The Market Retreats -- Barron's

2,088 字
2015 年 3 月 14 日 04:07
Dow Jones Institutional News
DJDN
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英文

(FROM BARRON'S 3/16/15)
By Vito J. Racanelli
Stocks backpedaled last week, pressured on one side by a strengthening U.S. dollar and on the other by falling energy prices. Shares of large-cap firms in particular -- thanks to foreign exposure -- suffered most from the downward pressure, while more domestic revenue-oriented small caps bucked the trend and rose sharply.

Some investors lightened up on equities in anxious anticipation of the Federal Open Market Committee meeting this week. No rate hike is expected just yet, but investors fear wording changes in the FOMC's press release Wednesday that could spook the market.

Oil prices again lost ground, after a few weeks of stability, reigniting worries about energy stocks, which fell 3%, and deflation anxieties. Oil fell 10% to $44.84 per barrel. U.S. economic data ran the gamut from weak, like February retail sales, to good, like weekly jobless claims, but played a background role.

Last week, the Dow Jones Industrial Average lost 108, or 0.6%, to 17,749.31, while the Standard & Poor's 500 index fell 18 points, or 0.9%, to 2053.40. The Nasdaq Composite dropped 56, or 1.1%, to 4871.76. The small cap Russell 2000 index gained 1.2% to 1232.13.

"People are starting to think earnings will be flat this year," thanks to the dollar's potentially painful influence, says Benjamin Halliburton, chief investment officer of Tradition Capital Management. Negative first quarter earnings preannouncements will probably begin soon, he adds, and the March quarter at least will be "abysmal for energy companies, poor for most big companies, and weak in general."

A strong dollar is better for Corporate America long term, adds Halliburton, but "in the current world, investors are at most interested in the next 12 months." The dollar index is on course for a 13.8% gain in the first quarter, the largest quarterly jump since the 1992 European monetary crisis, according to Bank of America Merrill Lynch.

Headlines bemoan the dollar, but the U.S. is a net importer, so the average Joe and Jane see greater purchasing power and lower inflation. U.S. companies have to get leaner and meaner. While U.S. exports cost foreigners more and the translation hurts earnings comparisons in the short term, U.S. firms have more buying power overseas. A stronger dollar makes U.S. assets more attractive to foreigners.

The February producer price index released Friday declined 0.5%, weaker than anticipated.

Though the market expects a Fed hike around June, Scott Colyer, CEO of Advisors Asset Management, demurs. The PPI shows no sign of inflation. "The downside to the Fed of doing nothing is pretty minimal, while a hike could threaten the recovery," says Colyer, who believes the Fed won't raise interest rates until 2016.

Whether it's June or January, it's hard to see the market moving sustainably higher until the Fed drops the veil.

Pinnacle Not Yet Reached

Gaming and Leisure Properties will most likely have to raise its $36-per-share offer for the real estate assets of regional casino operator Pinnacle Entertainment by 10% to 25% to pass muster with a majority of Pinnacle shareholders. It probably will take $40 and possibly a few dollars more, according to large institutional owners of Pinnacle with whom Barron's spoke.

Last Monday, Gaming and Leisure (ticker: GLPI), a real estate investment trust, made the unsolicited proposal that it said values Pinnacle (PNK) at a roughly 30% premium to the previous closing price. Last week, Pinnacle stock rose 25%, to $34.39; GLPI's shares climbed as well, by 12%, to $36.02.

Pinnacle, which has 15 casinos in eight states, is splitting itself into an operating company (OpCo), which would own and operate its gambling assets, and a REIT (PropCo), which would own the underlying property. Pinnacle shareholders would get new shares of each company; such splits often lead to increased shareholder value on a combined basis. However, Pinnacle still needs IRS approval for the move, as well as equity financing, and a split is unlikely before 2016.

GLPI says its offer -- 0.5517 of one of its shares for each Pinnacle share -- already has financing and could be effected before the end of the year. Pinnacle holders would get about 36 million GLPI shares and a 20% stake in the combined GLPI-PropCo entity.

Some Pinnacle shareholders, however, say the bid undervalues the PropCo and, by extension, Pinnacle's stock. The offer for the PropCo is about $4.1 billion, resulting in its having a pro forma ratio of enterprise value (EV, market cap plus net debt) to earnings before interest, taxes, depreciation, and amortization (Ebitda) of about 11.2 times.

In the proposal, notes one shareholder, GLPI says similar-sized REITs are valued at 13 times. Something like 12.5 to 13 times the PropCo's estimated $365 million annual Ebitda is more likely to succeed, he says, and that would bring the bid to at least $40 and as high as $45.

GLPI's proposal also puts the GLPI-PropCo combination at an EV/Ebitda ratio of 14.7 times, on a pro forma basis. That makes the offer for Pinnacle at the current level accretive to GLPI. The GLPI-PropCo combination would create the third-largest triple-net lease REIT. The rationale behind GLPI's offer is that the larger REIT, with a more diversified rent base, presumably will get a higher valuation. (In triple-net leases, the lessee pays rent, all taxes, insurance, and maintenance costs.)

It also means there's room for a higher bid, Pinnacle shareholders say. GLPI's letter to Pinnacle's board last week left the door open to an alternate structure, such as making cash part of the proposition.

An offer that valued Pinnacle's PropCo at 13 times EV/Ebitda would still be accretive to GLPI and could get the deal done, says another shareholder.

Even GLPI's shares jumped on the news of the proposal, suggesting investors think highly of the offer. "But it's not going to happen at this [bid] level," says one of Pinnacle's larger institutional holders.

Pinnacle declined to comment, and GLPI didn't reply to requests for comment. The offer is just a proposal and anything can happen, but GLPI will probably have to stump up some more money.

Sinclair's Appealing Assets

A report from Nielsen last week reconfirmed that streaming and video-on-demand services continue to eat into traditional TV watching by Americans. Among the findings: In 2014's fourth quarter, the amount of time people spent watching video on the Internet rose to 10.5 hours a month from 7.5 a year earlier, while traditional TV-watching time fell by six hours, or 4%, to 149.

Fear of folks "cutting the cord" and spending less time on traditional TV broadcasts has hurt shares of cable companies and broadcasters. The loss of viewers can have negative repercussions on broadcaster's advertising revenue and reduce the number of cable subscribers.

Sinclair Broadcast Group (SBGI), which owns and operates about 163 broadcast TV stations in 79 U.S. markets, has seen its stock drop nearly 25%, from a high of $37 last year to $28.02 recently. The company, which sports a steady, profitable track record and historically has grown through acquisitions, reaches about 37.5% of U.S. households with a TV. Consequently, it now bumps up against the regulatory size ceiling of 39%, so growth from additional stations would be difficult. Congress might revisit those limits in the next year or so, but it's unclear if any changes will be made.

Investors shouldn't ignore these risks, but Sinclair's stock might be discounting too much gloom and too little potential good news over the next 12 months. Once some of these positive catalysts occur, the stock could rise back toward the old high.

TV remains one of the best ways for many kinds of advertisers, both national and local, whether they be car makers or politicians, to reach a broad audience, says Eric Green, a portfolio manager at Penn Capital Management. Penn owns a 1% stake in Sinclair. Broadcast local news remains important to viewers, he adds, and a lot more people watch it than, say, ESPN.

The current stock price undervalues Sinclair's broadcast-spectrum licenses, among other things, Green contends. The value of such assets are rising fast. How much Sinclair's are worth -- regardless of whether the company decides to sell spectrum or not -- should become clear in the Federal Communications Commission-sponsored spectrum auctions expected next year. A recent Wells Fargo Securities report valued Sinclair's spectrum at a potential $3.7 billion to $5.1 billion, using a range of estimates prepared for the FCC by advisory bank Greenhill. Among its peers, Sinclair's spectrum assets were the most undervalued as a percentage of market value, the report asserted.

The $4.4 billion midpoint of Wells Fargo's range, Green notes, is far above Sinclair's stock-market value of $2.7 billion. Once the auctions crystallize the spectrum value, investors will begin to price Sinclair's assets more appropriately, Green avers. The Hunt Valley, Md.-based broadcaster has about $3.9 billion in total debt.

Green also argues that Sinclair should get significantly more cash in the next two years from retransmission fees. (These are paid by cable companies to TV broadcasters, in exchange for the right to include TV feeds in their cable bundles.) Such fees have been rising and while Sinclair doesn't disclose what it obtains, Green estimates its fees will rise to $1.50 to $2 per sub from roughly $1 to $1.25 currently. Much of the increase will drop straight to the bottom line, he adds. Sinclair's geographically diverse station base has affiliates with all the major networks.

The stock, meanwhile, is fetching just 16 times analysts' consensus earnings estimates of $1.69 this year, and 10 times the $2.72 expected next year -- roughly a 25% discount to its peers. In 2014, EPS was $1.92.

14 Mar 2015 00:07 ET The Trader: Oil Falls, Dollar Rises, And The -2-

Since advertising for U.S. elections and global sports events, such as the Olympics, typically take place in even-numbered years, broadcasters' results often jump in those years -- and 2016 will be such a year.

Sinclair's 2014 results were also boosted sharply by acquired stations. For now, Sinclair can't add too many more stations, but it's only just starting to get the accretive benefit of those it has acquired recently, says Green, who values the stock at $40.

With a large short position in the stock, Sinclair has few believers. However, over the next 12 months, the catalysts should force the market to focus more on its attractive assets.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17749.31	-107.47	-0.60
DJTransportation	8945.13	+37.72	+0.42
DJUtilities	572.92	+2.89	+0.51
DJ65Stocks	6342.81	-8.55	-0.13
DJUSMarket	518.39	-3.67	-0.70
NYSEComp.	10751.02	-91.15	-0.84
NYSEMKTComp.	2375.34	-87.84	-3.57
S&P500	2053.40	-17.86	-0.86
S&PMidCap	1491.12	+4.50	+0.30
S&PSmallCap	707.24	+10.06	+1.44
Nasdaq	4871.76	-55.61	-1.13
ValueLine(arith.)	4735.31	-6.04	-0.13
Russell2000	1232.14	+14.62	+1.20
DJUSTSMFloat	21513.17	-130.72	-0.60

	Last Week	Week Earlier
NYSE		
Advances	1,411	843
Declines	1,834	2,411
Unchanged	35	29
NewHighs	180	362
NewLows	222	98

AvDailyVol(mil)	3,427.0	3,381.0
Dollar		
(Finexspotindex)	100.18	97.72
T-Bond		
(CBTnearbyfutures)	159-190	155-200
Crude Oil		
(NYMlightsweetcrude)	44.84	49.61
Inflation KR-CRB		
(FuturesPriceIndex)	210.70	220.14
Gold		
(CMXnearbyfutures)	1152.60	1164.10

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DOW JONES
NEWSWIRES

Keep the Faith With European Stocks -- Heard on the Street

By Richard Barley
529 字
2015 年 3 月 11 日 10:38
Dow Jones Institutional News
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英文

Europe is taking its turn in the spotlight. The Stoxx Europe 600 is up 14.9% this year while the S&P500 is in the red, down 0.7%; versus the October 2014 low, the European index is up some 27%. The pace of gains may fade, but investors should stick with European stocks.

True, Europe is no longer cheap: At 16.1 times the next 12 months' earnings, the index is above its long-run average, and has narrowed its gap with the U.S. market, which trades on 17 times.

Many of the reasons to be positive are well-known: quantitative easing from the European Central Bank, a weaker currency and lower oil prices. That means their impact must be largely priced in--although the euro is powering lower again, reaching a near 12-year low against the dollar. That is flattering stock prices, but even in dollar terms the Stoxx 600 is outperforming the S&P500.

There are still more reasons for hope on Europe. The eurozone appears to have shaken off its economic malaise that hurt performance for much of last year. Consumer confidence has surged, pushing retail sales higher--even in Germany, where shoppers aren't known for their enthusiasm. Crucially, the credit cycle appears to be turning, with greater willingness to borrow and lend. Economists are steadily upgrading growth forecasts for 2015. While there have been false dawns before, this looks more sustainable.

Moreover, 2015 could be the year when European earnings finally turn the corner after stagnating since 2010. There are tailwinds from lower oil prices and a weaker euro. But the ultralow level of bond yields, as well as making equities look cheap on a relative basis, could yet generate an earnings boost.

That is particularly the case for companies refinancing debt issued before and during the darkest days of the global financial crisis, when investment-grade yields surged above 7%. Bonds issued in 2009 carried very high coupons relative to current borrowing costs; issuing today will cut interest costs sharply, strategists at Bank of America Merrill Lynch note. The extent of the move lower in yields was demonstrated last week by energy company GDF Suez, which issued two-year debt with a zero coupon and 20-year bonds paying interest of just 1.5%.

The coming months will undoubtedly contain challenges for stock markets. Greece remains a potential source of risk, although markets appear less worried than in the past. More importantly, U.S. monetary policy is clearly in focus, and if the Federal Reserve moves toward raising rates, volatility is likely to rise. But that could also lend further impetus to the fall in the euro; the bigger driver of that move is likely to be U.S. policy rather than ECB action. Meanwhile, European borrowing costs should stay low.

Ultimately, if there is a pullback in European stocks, it could well represent a buying opportunity. Investors shouldn't shy away just yet.

Write to Richard Barley at richard.barley@wsj.com

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THE WALL STREET JOURNAL.

Markets
European Stock Markets Should Continue to Shine; European stocks are up sharply; there could be more good news to come

By Richard Barley
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2015 年 3 月 11 日 10:46
The Wall Street Journal Online
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Heard on the Street
Keep the Faith With European Stocks

By Richard Barley
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Write to Richard Barley at richard.barley@wsj.com

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DOW JONES
NEWSWIRES

Our Lonely Eyes Turn to You: Dow Industrials Shed 100 Points, Nasdaq 5,000 Slips Away -- Barron's Blog

By Ben Levisohn
314 字
2015 年 3 月 4 日 21:48
Dow Jones Institutional News
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英文

Nasdaq 5,000 seems like a long time ago after following another day of selling in the market.

The Dow Jones Industrial Average dropped 106.47 points, or 0.6%, to 18,096.90, and the S&P 500 fell 0.4% to 2,098.53. The Nasdaq slipped 0.3% to 4,967.14 after touching 5,000 on Monday for the first time since the year 2000.

Should we worry that the bull market is over? The folks at Phases & Cycles don't think so. They explain why:

It's time to wish this great bull market another happy birthday! Six years ago in the midst of the gloom and doom of the global financial crisis the S&P 500 hit a low of 666. The Index is now around 2,100, making new all-time highs. What is more remarkable is that with the exception of a five-month 21.5% decline in mid-2011, the S&P500 has spent the last six years carving out a pattern of "higher highs and higher lows." This is an extraordinary bull market, one of the longest and most vibrant in U.S. stock market history.

As we pointed out...this bull market has climbed a huge "wall of worry" and has stared down repeated scepticism about its longevity. Bull markets end when the investing majority is ultra- confident -- we are nowhere near this point.

Probably not, if every downtick has investors wondering if this is the end.

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Our Lonely Eyes Turn to You: Dow Industrials Shed 100 Points, Nasdaq 5,000 Slips Away
Barron's Blogs, 2015 年 3 月 4 日 21:48, 274 字, By Ben Levisohn, (英文)
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DOW JONES NEWSWIRES

*Direxion S&P500 Bull 1.25 (LLSP) Resumed Trading

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DOW JONES
NEWSWIRES

*Direxion S&P500 Bull 1.25 (LLSP) Halt: Single-Stock Circuit Breaker

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BARRON'S

MARKET WEEK
Stocks --- The Trader: As World Soars, U.S. Stocks Tread Water

By Vito J. Racanelli
2,060 字
2015 年 3 月 2 日
Barron's
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U.S. stocks treaded water last week in quiet trading, sans the volatility that has characterized 2015 so far. The rest of the world's equities, however, rocked ahead.

Though U.S. major indexes finished little changed, there was enough action to make yet another new high in the Standard & Poor's 500 index Tuesday. Prices eventually fell back and trading was light.

Friday saw a revision of the U.S. fourth quarter gross domestic product growth rate down to 2.2% from 2.6%. Other economic reports released during the week were similarly mixed, notes Chris Gaffney, president of EverBank World Markets. The data wasn't enough to push the indexes out of their recent range, he adds.

Last week, the Dow Jones Industrial Average lost seven points to 18,132.70, while the S&P 500 index fell six, or 0.3%, to 2104.50, after hitting a high of 2115.48 Tuesday. Both rose over 5% last month. The Nasdaq Composite gained eight points, or 0.2%, to 4963.53, and was up 7% in February.

As March begins, investors will have lots of data to parse, especially the February unemployment report Friday, adds Gaffney. After Federal Reserve chair Janet Yellen spoke to Congress last week, the market appears to be moving its expectation of the first rate hike to later in the summer from the beginning.

Stock markets outside the U.S. were ebullient, and "pretty much every other market is beating the U.S.," notes Michael Shaoul, chairman of Marketfield Asset Management. The MSCI World Index excluding the U.S. rose almost 1% last week. Year to date, that index has doubled the S&P 500's 2.5% rise, even in dollar terms.

That's a bit of a surprise, Shaoul adds, considering the consensus coming into 2015 saw U.S. equities as the place to be. But while the U.S. is roughly meeting economic expectations, the bar is lower in the rest of the world -- whether Japan, Europe, or emerging markets. That allows expectations to be beat, even though risks are higher overseas.

Shaoul's favored investment area is Japan. Though Japanese economic data are mediocre, its companies are in good shape, he says. While rates will be going up stateside, they are going down elsewhere.

With fourth-quarter earnings season over, the focus will turn back to macroeconomic data and a number of non-U.S. central bank meetings this week, says John Canally, an investment strategist at LPL Financial. European Central Bank policy makers assemble March 5.

Further ahead, Canally says that although market professionals recognize that the S&P 500's first quarter earnings will be negative, thanks to deep declines in energy, "it's still not widely known among average investors."

Soon it will be. That could be the occasion for renewed volatility next month.

Cold Soup?

Campbell Soup (ticker: CPB) is known for steady if slow growth in a reliable sector. Folks have to eat, and it sports some well-known brands besides the soup made famous by Andy Warhol, such as Pepperidge Farms and V8 juice, among others.

At $46.59, the stock, like the market, is near all-time highs. Campbell trades at a 15% valuation premium to the S&P 500 index, though results have been flattish for years. For example, annual revenue has revolved around $8 billion since 2008, while earnings before interest, taxes, depreciation, and amortization (Ebitda) have been stuck around $1.5 billion since 2007. Annual earnings per share (EPS) growth since 2008 has averaged 4%, a good chunk derived from a 12% drop in shares outstanding.

With growth looking bland and with the S&P 500 obtaining a price/earnings ratio of 17 times, does Campbell's stock deserve a rich P/E of about 20 times consensus analyst EPS estimates of $2.35 for the fiscal year ending July 2015?

Perhaps not. Campbell's EPS this year will be down from 2014's $2.53, and the P/E is significantly above its historical median of 16.4 times. Given the head winds the company revealed last week, the shares look like dead money for this year and might even backtrack 5% to 10%, short of signs it's getting itself in gear or a bear market.

Last Wednesday, the company reported weak earnings for the fiscal second quarter ended Feb. 1, and lowered annual EPS guidance 3% to 5%, to $2.32 to $2.38. The Camden, N.J.-based firm's quarterly sales fell 2% to $2.2 billion, while earnings from continuing operations slipped to $207 million or 66 cents from $228 million or 75 cents. Ebitda fell 17% to $312 million.

While organic sales gains were seen in four of its five main businesses, this was offset by a relatively large gross-margin decline of 3.1 percentage points to 32.6% in the quarter. The size of the drop was a surprise for investors, which the company blamed on cost inflation in meat and produce, as well as higher logistics costs and promotional spending, and currency issues.

Campbell has been fighting a serial drop in gross margin since fiscal 2010, when it was 41%.

In response to a request for comment, a Campbell spokesperson referred Barron's to the recent conference call, in which the company said it expects second half performance to improve as inflation and supply-chain effects moderate. For 2015, the gross margin decline will be about 1 percentage point. Campbell is looking at ways to improve that metric.

The supply-chain issues that hurt the second quarter resulted from a decision to incur additional expenses to improve customer service, the company said.

What would boost the stock price is better and steadier growth in its soup business, Campbell's biggest product. The U.S. simple meals division, which includes domestic soups, saw organic growth of 2% in the first six months of fiscal 2015, but we wonder if Campbell's soup resonates with millennials. Campbell called premium soup one of its faster-growing areas and said it's expanding its Slow Kettle and organic-soup products.

In the stock's favor is a 2.7% yield. And Campbell has announced a plan for $200 million in annual cost savings to be addressed in fiscal 2016. Still, low earnings growth, mainly from cost cuts and share buybacks, doesn't seem to justify such a high P/E.

Wall Street analysts have talked about the possibility of Campbell being bought, and that's supporting the price for now. It's small enough at a market cap of $14.6 billion, has desirable brands, and those gross margin problems would seem ripe for an outsider to solve. But there's also a large concentrated family holding that is seen as a potential barrier to a buyer.

Some Campbell issues seem resolvable with time, except for the important one about challenged growth.

The Emperor's New Clothes?

Shares of Men's Wearhouse (MW) are up over 20% in the past two months, to $50.19, sharply outperforming the broad market, on rekindled ardor for the acquisition by the discount men's clothing retailer of its low-end rival, Jos. A. Bank, last June.

The $1.8 billion deal doubled the company's size and eliminated a big rival, but the soaring stock price seems to overlook the higher risks that have come with the merger. After paying a high premium for Bank, Men's Wearhouse saw its debt jump to $1.7 billion from $90 million. Throw in another $700 million or so in off-balance-sheet operating leases, notes David Trainer, president of New Constructs, an independent research outfit, and debt is roughly equal to Men's Warehouse's total market capitalization of $2.4 billion.

In the fiscal third quarter ended Nov. 1, 2014, interest expense of $25 million consumed more than half the $45 million operating income. In the year-earlier period, without Bank, interest expense was just $1.2 million, against $60 million in operating income. The organic sales-growth synergies, even with the U.S. economy expanding and a better retail picture, is unimpressive so far. While total third-quarter sales went up 37% to $890 million, that was due to the addition of Bank. The Men's Wearhouse division, half of total sales, rose a so-so 2%, or $8.5 million, to $436 million.

The drop in quarterly operating income came from sharply deteriorating results at the Bank division, where third-quarter same-store sales fell 8%. The picture isn't getting better. In its third-quarter conference call the company said it expects Bank sales to continue to fall by "high single-digit to low single-digit levels."

Men's Wearhouse faces a tough task trying to stem the outgoing tide at Bank. Costs have gone up dramatically. Trainer notes that the total cost of sales jumped 47% to $521 million; selling, general, and administrative expense, 34% to $282 million; occupancy, 56% to $114 million; and advertising, 86% to $42 million. Granted, it's just one quarter, but this doesn't bode well for the company's promise to wring $100 million to $150 million from annual corporate costs.

So far, the combination hasn't added value, argues Ivan Feinseth, an analyst with Tigress Financial Partners, who Friday dropped his Men's Wearhouse rating to Sell from Neutral.

The merger created a company harder to manage and overleveraged in a business where the competition has intensified, he says. Department stores -- and Macy's (M) in particular, he says -- have done a "phenomenal job of eating into Men's Wearhouse," through improved merchandising, discounting, and offerings in the men's area, he says.

Macy's, a more diversified retailer, adds Trainer, has net operating profit after tax margins (Nopat) of 7%, almost twice the 4% Nopat margins at Men's Warehouse. (Nopat essentially strips out nonoperating gains and losses from results.) Yet Men's Wearhouse sports a P/E ratio of 15 times consensus analyst EPS expectations of $3.40 for the 2016 fiscal year ending in January, significantly higher than Macy's 13 P/E. On price-to-Nopat, Men's Wearhouse is double Macy's valuation.

That $3.40 -- already down from $3.80 a few months ago -- is much higher than the $2.52 EPS seen for the recently ended fiscal 2015. That incorporates a lot of hoped-for improvements yet to be seen.

These high expectations, says Feinseth, would be justified by trend growth of over 20% in sales, but that hardly seems achievable. Both Tigress and New Constructs value Men's Wearhouse stock in the "mid-$20s," sharply below the current price.

Men's Wearhouse declined to comment.

The current multiple seems ill-suited to the stock, since Men's Wearhouse needs to get its costs down fast and revive sales at Bank. The company reports fourth-quarter results March 12. It won't take much in the way of bad news to pressure this stock.

Vital Signs

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DJIndustrials	18132.70	-7.74	-0.04
DJTransportation	9024.52	-106.64	-1.17
DJUtilities	594.17	-5.89	-0.98
DJ65Stocks	6470.81	-33.68	-0.52
DJUSMarket	530.10	-1.69	-0.32
NYSEComp.	11062.80	-45.87	-0.41
NYSEMKTComp.	2522.37	+54.46	+2.21
S&P500	2104.50	-5.80	-0.27
S&PMidCap	1506.53	-10.31	-0.68
S&PSmallCap	709.98	+1.31	+0.18
Nasdaq	4963.53	+7.56	+0.15
ValueLine(arith.)	4824.68	-9.96	-0.21
Russell2000	1233.37	+1.58	+0.13
DJUSTSMFloat	21968.48	-63.92	-0.29

	Last Week	Week Earlier
NYSE		
Advances	1,714	1,679
Declines	1,541	1,543
Unchanged	30	61
NewHighs	419	332
NewLows	55	37

AvDailyVol(mil)	3,257.8	3,283.4
Dollar		
(Finexspotindex)	95.26	94.25
T-Bond		
(CBTnearbyfutures)	147-010	144-010
Crude Oil		
(NYMlightsweetcrude)	49.76	50.34
Inflation KR-CRB		
(FuturesPriceIndex)	224.08	224.76
Gold		
(CMXnearbyfutures)	1212.60	1204.40

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DOW JONES
NEWSWIRES

The Trader: As World Soars, U.S. Stocks Tread Water -- Barron's

2,131 字
2015 年 2 月 28 日 05:09
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 3/2/15)
By Vito J. Racanelli
U.S. stocks treaded water last week in quiet trading, sans the volatility that has characterized 2015 so far. The rest of the world's equities, however, rocked ahead.

Though U.S. major indexes finished little changed, there was enough action to make yet another new high in the Standard & Poor's 500 index Tuesday. Prices eventually fell back and trading was light.

Friday saw a revision of the U.S. fourth quarter gross domestic product growth rate down to 2.2% from 2.6%. Other economic reports released during the week were similarly mixed, notes Chris Gaffney, president of EverBank World Markets. The data wasn't enough to push the indexes out of their recent range, he adds.

Last week, the Dow Jones Industrial Average lost seven points to 18,132.70, while the S&P 500 index fell six, or 0.3%, to 2104.50, after hitting a high of 2115.48 Tuesday. Both rose over 5% last month. The Nasdaq Composite gained eight points, or 0.2%, to 4963.53, and was up 7% in February.

As March begins, investors will have lots of data to parse, especially the February unemployment report Friday, adds Gaffney. After Federal Reserve chair Janet Yellen spoke to Congress last week, the market appears to be moving its expectation of the first rate hike to later in the summer from the beginning.

Stock markets outside the U.S. were ebullient, and "pretty much every other market is beating the U.S.," notes Michael Shaoul, chairman of Marketfield Asset Management. The MSCI World Index excluding the U.S. rose almost 1% last week. Year to date, that index has doubled the S&P 500's 2.5% rise, even in dollar terms.

That's a bit of a surprise, Shaoul adds, considering the consensus coming into 2015 saw U.S. equities as the place to be. But while the U.S. is roughly meeting economic expectations, the bar is lower in the rest of the world -- whether Japan, Europe, or emerging markets. That allows expectations to be beat, even though risks are higher overseas.

Shaoul's favored investment area is Japan. Though Japanese economic data are mediocre, its companies are in good shape, he says. While rates will be going up stateside, they are going down elsewhere.

With fourth-quarter earnings season over, the focus will turn back to macroeconomic data and a number of non-U.S. central bank meetings this week, says John Canally, an investment strategist at LPL Financial. European Central Bank policy makers assemble March 5.

Further ahead, Canally says that although market professionals recognize that the S&P 500's first quarter earnings will be negative, thanks to deep declines in energy, "it's still not widely known among average investors."

Soon it will be. That could be the occasion for renewed volatility next month.

Cold Soup?

Campbell Soup (ticker: CPB) is known for steady if slow growth in a reliable sector. Folks have to eat, and it sports some well-known brands besides the soup made famous by Andy Warhol, such as Pepperidge Farms and V8 juice, among others.

At $46.59, the stock, like the market, is near all-time highs. Campbell trades at a 15% valuation premium to the S&P 500 index, though results have been flattish for years. For example, annual revenue has revolved around $8 billion since 2008, while earnings before interest, taxes, depreciation, and amortization (Ebitda) have been stuck around $1.5 billion since 2007. Annual earnings per share (EPS) growth since 2008 has averaged 4%, a good chunk derived from a 12% drop in shares outstanding.

With growth looking bland and with the S&P 500 obtaining a price/earnings ratio of 17 times, does Campbell's stock deserve a rich P/E of about 20 times consensus analyst EPS estimates of $2.35 for the fiscal year ending July 2015?

Perhaps not. Campbell's EPS this year will be down from 2014's $2.53, and the P/E is significantly above its historical median of 16.4 times. Given the head winds the company revealed last week, the shares look like dead money for this year and might even backtrack 5% to 10%, short of signs it's getting itself in gear or a bear market.

Last Wednesday, the company reported weak earnings for the fiscal second quarter ended Feb. 1, and lowered annual EPS guidance 3% to 5%, to $2.32 to $2.38. The Camden, N.J.-based firm's quarterly sales fell 2% to $2.2 billion, while earnings from continuing operations slipped to $207 million or 66 cents from $228 million or 75 cents. Ebitda fell 17% to $312 million.

While organic sales gains were seen in four of its five main businesses, this was offset by a relatively large gross-margin decline of 3.1 percentage points to 32.6% in the quarter. The size of the drop was a surprise for investors, which the company blamed on cost inflation in meat and produce, as well as higher logistics costs and promotional spending, and currency issues.

Campbell has been fighting a serial drop in gross margin since fiscal 2010, when it was 41%.

In response to a request for comment, a Campbell spokesperson referred Barron's to the recent conference call, in which the company said it expects second half performance to improve as inflation and supply-chain effects moderate. For 2015, the gross margin decline will be about 1 percentage point. Campbell is looking at ways to improve that metric.

The supply-chain issues that hurt the second quarter resulted from a decision to incur additional expenses to improve customer service, the company said.

What would boost the stock price is better and steadier growth in its soup business, Campbell's biggest product. The U.S. simple meals division, which includes domestic soups, saw organic growth of 2% in the first six months of fiscal 2015, but we wonder if Campbell's soup resonates with millennials. Campbell called premium soup one of its faster-growing areas and said it's expanding its Slow Kettle and organic-soup products.

In the stock's favor is a 2.7% yield. And Campbell has announced a plan for $200 million in annual cost savings to be addressed in fiscal 2016. Still, low earnings growth, mainly from cost cuts and share buybacks, doesn't seem to justify such a high P/E.

Wall Street analysts have talked about the possibility of Campbell being bought, and that's supporting the price for now. It's small enough at a market cap of $14.6 billion, has desirable brands, and those gross margin problems would seem ripe for an outsider to solve. But there's also a large concentrated family holding that is seen as a potential barrier to a buyer.

Some Campbell issues seem resolvable with time, except for the important one about challenged growth.

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28 Feb 2015 00:09 ET The Trader: As World Soars, U.S. Stocks Tread -2-

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(END) Dow Jones Newswires

February 28, 2015 00:09 ET (05:09 GMT)

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Never Mind Exxon, Buy Chevron For Growth, Royal Dutch for Defense
Barron's Blogs, 2015 年 2 月 27 日 20:34, 307 字, By Ben Levisohn, (英文)
Jefferies' Jason Gammel and Marc Kofler highlight ExxonMobil's (XOM) strong relative performance since oil crashed, but think Royal Dutch Shell (RDS.A) and Chevron (CVX) could be better options. They explain why:
文件 WCBBE00020150227eb2r002jp

DOW JONES
NEWSWIRES

Never Mind Exxon, Buy Chevron For Growth, Royal Dutch for Defense -- Barron's Blog

By Ben Levisohn
450 字
2015 年 2 月 27 日 20:34
Dow Jones Institutional News
DJDN
英文

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Exxon has performed relatively well during the oil price contraction, declining by 10% versus 17% for our aggregate integrated oil coverage universe. The stock now trades at 10.3x EV/DACF based on our 2016 estimates, versus the global peer group at 8.0x (29% premium). At a 2016 P/E ratio of 18.8x, the stock trades at an 8% premium to the S&P500.

We generally expect Exxon to outperform during an oil price correction although we believe Exxon is not much more defensive than its super-major peers. However, we do not expect that the analyst day [on March 4] will give incremental reasons to own the stock -- and if capital expenditure guidance exceeds our expectations and the share repurchase program is eliminated, it could make the market question just how defensive Exxon is.

We prefer Royal Ducth Shell as a defensive stock within the oil & gas sector; its cash cycle and balance sheet are just as strong as Exxon, and it trades at a 42% EV/DACF discount versus Exxon on our 2016 estimates.

We prefer Chevron over an 18-month period due to its superior growth, although we would hold off rotating funds into Chevron until after its analyst meeting on 10 March. Chevron trades at a 29% EV/DACF discount to Exxon on our 2016 estimates.

Shares of ExxonMobil are little changed at $88.66 at 3:26 p.m., while Chevron has dropped 0.3% to $106.72, and Royal Dutch Shell has risen 1% to $65.46.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/

(END) Dow Jones Newswires

February 27, 2015 15:34 ET (20:34 GMT)

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DOW JONES
NEWSWIRES

Special FX Should Scare Asia's Borrowers -- Barron's Asia

By WAYNE ARNOLD
899 字
2015 年 2 月 25 日 03:58
Dow Jones Institutional News
DJDN
英文

You know it's time to start worrying when someone says not to worry. That's why Morgan Stanley's latest report on Asian corporate debt increases my paranoia, as Crosby, Stills, Nash and Young sang 45 years ago, like looking in my mirror and seeing a police car.

The bank's bond analysts in Hong Kong this week released the results of an impressive study into 762 of the largest non-financial companies in Asia outside Japan to determine just how vulnerable they might be to a rising U.S. dollar. As this column noted recently, corporate Asia's reliance on debt, and on foreign-currency denominated debt in particular, is getting' kind of long. Morgan Stanley's report estimates that foreign-currency borrowing by the region's companies has tripled since 2008 to $2.1 trillion, boosting foreign-currency debt relative to the region's combined GDP to 12.3% from 7.9%.

Those FX-denominated debts rise with the dollar, getting in the way of corporate cash flow and earnings. This would pose a problem to bond investors in Asia, who have responded to low global interest rates by chasing the relatively higher yields on Asian corporate bonds, and to stockholders.

But Morgan Stanley's report says investors shouldn't fear a stronger dollar. First, the rapid expansion in FX borrowings has been largely matched by the expansion in domestic-currency borrowing. That means the proportion of Asia's FX corporate debt to its total corporate debt has grown only slightly since 2008.

Secondly, the report points out, the expansion in FX debt has been matched by growth in foreign-currency earnings. Morgan Stanley's analysts burrowed into the books of 625 companies -- leaving aside Japan, Australia and New Zealand - to find that while FX debt represents 38% of total corporate debt, 32% of their earnings before interest, tax, depreciation and amortization, or EBITDA, are in foreign currencies. And while U.S. dollar-denominated debts represent 28% of total debt; U.S. dollar EBITDA represents 21% of total EBITDA.

That gives Asian companies a natural hedge against the rising dollar. As the greenback rises, so will foreign earnings. Borrowing abroad has conferred other benefits, the report notes, most obviously being to lower companies' overall funding costs by borrowing dollars at cheaper rates than they can get at home. That has also allowed them to issue longer-term bonds, reducing the repayment risk that comes with having short-term debt that constantly needs to be repaid or rolled over.

The report concludes that the dollar would have to rise by more than 20% to raise the risk of haircuts for investors.

That doesn't mean they can just let their freak flag fly, though. For starters, there's that leverage issue: the average Asian company's total debt is 2.9 times their EBITDA, according to Morgan Stanley, higher than the average of companies on the S&P500. And they've leveraged their foreign earnings even more: FX debt is 4.3 times foreign-earned EBITDA.

And the dollar is rising for a reason: expectations that U.S. interest rates will rise relative to rates elsewhere. That promises to push up the "I" in EBITDA. Even if dollar liabilities are matched by dollar receivables, rising debt servicing costs and dwindling net profits could leave Asian companies with the flu for Christmas.

The rising dollar is already pushing Asian borrowers back into domestic-currency funding markets. FX credit growth has started slowing for the first time since 2008, the report notes.

The problem is that an increasing amount of Asia's local-currency funding has also come from foreign lenders, a risk the Bank for International Settlements has highlighted. While appetite for Asia's higher-yielding debt remains strong, higher U.S. rates and a stronger dollar are already curbing foreign demand for local-currency credit. Foreign bank loans to borrowers in the Asia-Pacific fell nearly 2% in the third quarter of 2014, according to BIS data.

Asia's banks are unlikely to fill that gap, Morgan Stanley's analysts warn. Thanks to rapid credit growth, loan-to-deposit ratios are back up to 2009's peak levels and tighter capital requirements mean banks are looking to trim that back. That means rising U.S. dollar borrowing rates in Asia are likely to push up local-currency borrowing rates even as Asia's central banks cut policy rates. And economies that peg their currencies to the U.S. dollar, like Hong Kong, China, and to a lesser extent Singapore, will have to raise interest rates alongside the Fed. Tighter domestic credit conditions will worsen the disinflationary pressures pulling down Asia's growth rates, warn Morgan Stanley's economists.

With growth slowing and credit tightening, so-called high-yield corporate borrowers with larger debt and weaker cash flows won't be feeling up to par. Morgan Stanley says the companies at greatest risk are China's property and materials companies as well as Indian utilities.

So, should Asian investors worry? Why, yes. After all, those companies owe all that FX debt to someone.

Comments? E-mail us at wayne.arnold@barrons.com

Comments? E-mail us at asiaeditors@barrons.com

(END) Dow Jones Newswires

February 24, 2015 22:58 ET (03:58 GMT)

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DOW JONES
NEWSWIRES

Money Flow Table For Major U.S. Indexes And Stocks

633 字
2015 年 2 月 25 日 21:53
Dow Jones Institutional News
DJDN
英文

MONEY FLOW - UPTICK/DOWNTICK TRADING DOLLAR VOLUME Feb 25,2015 04:38 PM

MARKET	MONEY FLOW (in millions) TODAY	PREV DAY	RATIO
DJIA	+523.4	-842.5	1.16
Blocks	+496.8	-825.0	1.68
S & P 500	+1369.9	-2251.5	1.06
Blocks	+1467.7	-2213.6	1.39
Russell 2000	-120.3	-15.9	0.97
Blocks	-109.8	-49.1	0.82
DJ U.S. Total Stock Market	+566.6	-2165.8	1.01
Blocks	+720.1	-2186.5	1.08

ISSUE GAINERS	SYMBOL	EXCH	LAST PRICE	MONEY FLOW (in millions)	RATIO
Apple	AAPL	NASD	128.79	+170.8	1.09
iShares Russell 1000 Val	IWD	ARCA	105.75	+131.0	4.81
Vanguard Total Stock Mkt	VTI	ARCA	109.48	+115.8	3.58
Actavis PLC	ACT	NYSE	290.40	+111.8	1.16
Berkshire Hathaway B	BRK/B	NYSE	148.78	+97.0	2.40
Vanguard Total Intl Bd	BNDX	NASD	53.85	+88.5	13.48
Johnson & Johnson	JNJ	NYSE	101.21	+86.7	1.59
AT&T	T	NYSE	34.21	+82.0	1.90
Gilead Sciences	GILD	NASD	104.43	+80.5	1.65
ExxonMobil	XOM	NYSE	89.60	+79.4	1.69
Qualcomm	QCOM	NASD	71.68	+74.9	1.73
Intel	INTC	NASD	33.95	+70.7	1.67
DuPont	DD	NYSE	77.90	+65.9	3.18
Microsoft	MSFT	NASD	43.99	+65.9	1.39
VanguardS&P500	VOO	ARCA	194.09	+62.8	2.44
AbbVie Inc.	ABBV	NYSE	60.62	+60.3	1.64
SPDR Shrt Term Corporate	SCPB	ARCA	30.74	+59.0	15.01
iShares iBoxx $ HY Cp Bd	HYG	ARCA	91.87	+57.4	1.91
Hewlett-Packard	HPQ	NYSE	34.67	+54.1	1.17
Vanguard FTSE Pacific ETF	VPL	ARCA	61.07	+51.6	16.85

ISSUE DECLINERS	SYMBOL	EXCH	LAST PRICE	MONEY FLOW (in millions)	RATIO
SPDR S&P 500	SPY	ARCA	211.63	-312.6	0.80
Vanguard Total Bond Mkt	BND	ARCA	83.24	-260.4	0.11
Select Sector SPDR-Finl	XLF	ARCA	24.50	-147.2	0.24
Mkt Vectors Gold Miners	GDX	ARCA	20.79	-116.1	0.39
iShares MSCI Japan ETF	EWJ	ARCA	12.29	-95.5	0.29
Yahoo!	YHOO	NASD	44.43	-94.2	0.49
JetBlue Airways	JBLU	NASD	17.53	-88.0	0.21
TRW Auto HldgsTRW		NYSE	104.32	-82.2	0.10
Amazon.com	AMZN	NASD	385.37	-80.9	0.79
SPDR Barclays Intl Trea	BWX	ARCA	54.32	-75.8	0.08
Kroger Co	KR	NYSE	72.35	-74.2	0.47

iShares 3-7Y Treasury Bd	IEI	ARCA	123.59	-74.1	0.15
Facebook Inc. Cl A	FB	NASD	79.56	-68.3	0.84
iShares Russell 1000 Gwth	IWF	ARCA	100.70	-67.3	0.26
Fastenal Co	FAST	NASD	42.43	-61.2	0.19
Priceline Group Inc.	PCLN	NASD	1250.86	-60.1	0.90
JPMorgan Chase	JPM	NYSE	61.14	-56.6	0.71
iShares MSCI Emg Markets	EEM	ARCA	40.76	-55.7	0.55
Biogen Idec	BIIB	NASD	408.94	-55.6	0.63
Mylan Inc	MYL	NASD	56.50	-53.4	0.27

Moneyflow figures are the dollar value of composite uptick trades minus the dollar value of downtick trades. The up/down ratio reflects the value of uptick trades relative to the value of downtick trades.

Source: WSJ Market Data Group

(END) Dow Jones Newswires

February 25, 2015 16:53 ET (21:53 GMT)

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Greece Gets a Reprieve and Markets Hit Highs

By Vito J. Racanelli
1,904 字
2015 年 2 月 23 日
Barron's
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But the Atlanta-based money manager has bought BNS shares in recent months because a closer look at the quarterly figures reveals they were hurt mainly by one-time charges. It was an uncharacteristic quarter that obscured more typical steady-state growth, he adds.

In the fourth quarter, net income fell to C$1.44 billion or $1.10 per diluted share, from $1.68 billion or $1.29 in the fourth quarter of fiscal 2013. However, that included some $342 million pre-tax in extraordinary charges, or about 22 cents per share, without which earnings per share would have been $1.7 billion or $1.32.

The charges included restructuring severance costs for employee reductions that should make the bank more efficient; and the impairment of assets in Venezuela and of loans in the Caribbean region's hospitality portfolio, among other things.

Despite those short-term issues, "revenue is still growing in a nice way," Heilweil notes. Quarterly revenue rose 7% to C$5.85 billion and net interest income 8% to C$3.1 million, thanks to asset growth and a rise in the core banking margin to 2.39% from 2.31% in the year-earlier quarter. Though BNS expects profit growth to "moderate somewhat" in 2015 due to first-half head winds, it still targets 5% to 10% EPS growth and a healthy 15% to 18% return on equity.

That seems attainable in the current environment and surpassable if the rest of the world accelerates growth. BNS expects 3.3% gross domestic product growth in important markets like Mexico; 5% in Peru; and 4.5% in Columbia. That would bode well for both deposit collection and loan growth.

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On various valuation metrics, the stock appears cheap. The price/earnings ratio of 10 to 11 times is lower than the average of 13 times. The price/book ratio, at 1.7 times, is at the low end of its history and below the median of 2.5 times, according to Thomson Reuters. In two years, says Heilweil, if the valuation just returns to the average, the stock could fetch $75 to $80.

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DJTransportation	9131.16	+97.10	+1.07
DJUtilities	600.06	+6.23	+1.05
DJ65Stocks	6504.49	+54.69	+0.85
DJUSMarket	531.78	+3.73	+0.71
NYSEComp.	11108.68	+65.99	+0.60
NYSEMKTComp.	2467.91	-0.34	-0.01
S&P500	2110.30	+13.31	+0.63
S&PMidCap	1516.84	+14.06	+0.94
S&PSmallCap	708.67	+3.22	+0.46
Nasdaq	4955.97	+62.13	+1.27
ValueLine(arith.)	4834.64	+35.51	+0.74
Russell2000	1231.79	+8.66	+0.71
DJUSTSMFloat	22032.40	+156.45	+0.72

	Last Week	Week Earlier
NYSE		
Advances	1,679	2,119
Declines	1,543	1,143
Unchanged	61	29
NewHighs	332	339
NewLows	37	63
AvDailyVol(mil)	3,283.4	3,577.2
Dollar		
(Finexspotindex)	94.26	94.19
T-Bond		
(CBTnearbyfutures)	144-010	145-290
Crude Oil		
(NYMlightsweetcrude)	50.34	52.78
Inflation KR-CRB		
(FuturesPriceIndex)	224.76	229.19
Gold		
(CMXnearbyfutures)	1204.40	1226.50

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The Trader: Greece Gets A Reprieve And Markets Hit Highs -- Barron's

1,972 字
2015 年 2 月 21 日 05:08
Dow Jones Institutional News
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(FROM BARRON'S 2/23/15)
By Vito J. Racanelli
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21 Feb 2015 00:08 ET The Trader: Greece Gets A Reprieve And Markets -2-

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Inflation KR-CRB		
(FuturesPriceIndex)	224.76	229.19
Gold		
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(END) Dow Jones Newswires

February 21, 2015 00:08 ET (05:08 GMT)

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Zayo: Macquarie Says Sell on Slowing Return on Capital; AMT, SBAC Doing Better
Barron's Blogs, 2015 年 2 月 17 日 18:23, 540 字, By Tiernan Ray, (英文)
Shares of fiber-optic services provider Zayo Group Holdings (ZAYO), which went public on October 17th, are down 53 cents, or 1.8%, at $28.70, after Macquarie's Kevin Smithen cut his rating on the shares this morning to Underperform from ...
文件 WCBBE00020150217eb2h00209

BARRON'S

MARKET WEEK

Stocks --- The Trader: The Bull Returns, and Stocks Hit New Highs

By Vito J. Racanelli
2,056 字
2015 年 2 月 16 日
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The broad market soared to all-time highs last week, surfing 2% higher on a wave of reassuring -- if short term -- developments. Small-caps made a comeback, outperforming megacaps, which some take as supportive of a more sustained resurgence after the year's so-far desultory move.

"A confluence of factors both geopolitical and fundamental helped global markets rise, not just the U.S.," says Joseph Amato, chief investment officer at Neuberger Berman. With a Ukrainian cease-fire agreed to on Thursday, and Greece and its creditors seen to be talking rather than bickering, "at least for now, it seems to have calmed fears," Amato says. Whether the actions last week presage long-term solutions remain to be seen.

Investors were also heartened by rising oil prices, more promising German economic data, and a "reasonable" showing from fourth-quarter earnings reports, he adds.

Crude prices rose for the third consecutive week. While there is an oversupply of the black gold, the sustained oil increase is easing fears about oil demand and global growth.

Though euro-zone economic data on Friday showed some big countries are still stagnating, Germany -- the Continent's engine -- posted 0.7% fourth-quarter gross-domestic-product growth, significantly better than the previous quarter.

Last week, the Dow Jones Industrial Average picked up 195 points, or 1.1%, to 18,019.35, while the Standard & Poor's 500 index jumped 2%, or 42, to 2096.99, a record close. The Nasdaq Composite tacked on 149, or 3.2%, to 4893.84, and the Russell 2000 small-caps index gained 1.5% to 1223.13.

After underperforming for a year, small-cap stocks played catch-up last week, says Rick Fier, a trader at Conifer Securities. Given that the group didn't outperform as the greenback strengthened, contrary to expectation, the latest rise is seen as confirming the bull, he says. Fier expects the S&P to surpass 2100 soon and then grind higher.

Another anecdotal support for the bull is the recent tendency in merger announcements for shares of both targets and acquirers to rise simultaneously. That suggests animal spirits are improving.

With about 391 companies in the S&P 500 index having reported, or 85% of the market cap, profits grew 6.3% and revenue, 1.4%, says Sheraz Mian, Zacks director of research. Revenue growth is significantly lower than the recent average. While energy has been a drag on earnings, Apple's (ticker: AAPL) huge profits have helped, he adds.

Looking ahead, Mian adds that "growth has effectively" evaporated, with first-quarter S&P 500 earnings expectations swinging to a negative 3.4% from a positive 10% expectation in October. That doesn't bode well for the spring.

Signs of Life at Fifth Third

For Cincinnati-based Fifth Third Bank (FITB), 2014 was tougher than expected. Results fell, breaking a string of sharply improving annual profits since 2009.

At $19.26, shares of the bank, with an Eastern footprint of 1,300 branches from Michigan to Florida, are down almost 20% from near $24 last March. Last year, earnings per share were $1.68, compared with $1.99 in 2013. Wall Street is lukewarm on the stock, and 2015 consensus analyst EPS estimates have fallen to $1.64 from $1.91.

The issues facing Fifth Third, however, seem to be industry-related -- and some are their own, but resolvable. Given a 2.7% dividend yield and the potential for annual stock buybacks of 5% of outstanding shares, even a mild improvement in the banking climate could surprise investors and send the stock toward the previous high over the next 18 to 24 months.

Last year, the bank had to modify its "early access product," criticized as payday lending, which cut revenue by $120 million to $130 million, or 2% of the total. Hence, analysts reduced 2015 EPS estimates, notes Jeff Bahl, a money manager at Bahl & Gaynor, which holds Fifth Third shares for clients. The "expectations bar" is low now, he adds, and "a little bit less bad news" could support the stock.

As at most banks, net interest margins continue to drop, thanks to the Federal Reserve's policy of artificially low interest rates. The fourth-quarter NIM, or interest income minus interest paid relative to interest earning assets, was 2.96% versus 3.21% a year ago. No one knows when, but the Fed will hike short-term rates, which suggests NIM is bottoming, says Matt Dmytryszyn, a money manager at LaSalle Street Capital Management, which bought Fifth Third shares lately.

After rising sequentially in the first three quarters of 2014, in the fourth the commercial loan portfolio of $54.2 billion was flat compared with the third quarter. That slowdown was related to the bank's decision not to "chase" business by lowering credit standards or loan pricing. That might hurt in the short term, but it is a prudent move by management, Dmytryszyn adds.

Bahl agrees: The bank has taken flak on this, but Fifth Third has probably avoided overlending to the energy sector. Banks that increased energy lending will be dealing with the fallout this year, he notes.

Dmytryszyn likes that this regional bank is moving toward corporate loans and away from consumers. Commercial and industrial corporate lending grew at a robust 6% in the fourth quarter from the year-earlier quarter. Such loans are typically higher quality and priced at variable rates that move up when benchmark rates rise. Consumer loans, meanwhile, like mortgages, were up just 1% year on year, and mortgage lending tends to be fixed rate and lower quality.

Fifth Third is pretty stingy, too, with a cost of funds averaging 12 basis points, meaning it spends 1.2 cents to get a dollar of deposits, versus about 1.9 cents in the industry. Despite the 2014 head winds, Fifth Third still managed to raise core deposits by a healthy 8%, to $96 billion.

In the fourth quarter, $720 million in residential mortgages, called "troubled debt restructurings," were moved from the balance sheet to "held for sale" status. The resulting charge hurt earnings by about $87 million, or roughly 11 cents per share, but by taking the hit now it should pay off in the future in the form of lower charge-offs.

Fifth Third also has around $7 billion of excess liquidity of 2015 regulatory needs. Probably only a portion of this -- currently sitting at the Fed earning interest of just 0.25% -- could be put to work, but it would help boost EPS beyond expectations.

The bank's valuation discounts its problems, with a price/earnings ratio of 11.7 times 2015 EPS consensus. It would trade at one times book value, once the value of its 23% stake in Vantiv Holding (VNTV), a fast-growing electronic-payments processor, is backed out. The bank has been selling down that holding, and future Vantiv sales, which need Fed approval, could be used to accretively buy back stock, adds Bahl.

Vantiv was profiled positively in Barron's last week ("A 15% Upside for Vantiv," Feb. 9).

Fifth Third shares aren't going to zoom like a tech stock. For a long-term income-oriented investor, however, there's potential for a double-digit annual total return over the next two years from a bank with a strong capital position and improving credit profile.

Red Flags at Ubiquity

Not all tech stocks zoom. Ubiquiti Networks (UBNT), the subject of a skeptical item here recently, reported quarterly results that sustain a view that the stock is overvalued compared with peers.

In the fiscal second quarter ended on Dec. 31, its revenue rose 11% from the year-ago period, to $153.1 million, while net income increased 11%, to $46.3 million, or 52 cents per share fully diluted from $41.8 million, or 47 cents per share. That's tepid compared with 80% sales growth and profits that more than doubled to $177 million, or $2.02, in the June-ended fiscal 2014.

Two-thirds of Ubiquity's business is service-provider technology, low-priced networking gear, like base stations for wireless Internet-service providers in remote areas. Due to saturation, growth there is cooling, from a 60% revenue rise in fiscal 2014 to an 11% decline in the just-ended quarter.

The remaining third comes from the faster-growing enterprise-technology division for small business, such as wireless local-area-network, or LAN, products. In the second quarter, enterprise technology more than doubled sales, to $53.4 million, but it wasn't enough to keep total revenue growth from braking appreciably.

Apart from slowing growth -- Ubiquiti lowered sales guidance for the third fiscal quarter -- there are some puzzling questions about the results. We previously noted Ubiquiti's underspending, with selling, general, and administrative expenses around 4% of sales compared with 34% at rivals. In the second quarter, SG&A was $5.4 million, the lowest going back two years, when revenue was half as large.

Ubiquiti moved about $2.5 million from "deferred sales" on the balance sheet to the income statement, says Rob Lopez, a director at Vertical Group, a boutique technology-research outfit that has a Sell rating on the shares. That helped the company meet guidance of $153 million in sales. Ubiquiti called it "standard cleanup," and yet deferred revenue more typically grows as companies add customers, and the only other time that Ubiquiti had such a drawdown was for much less, $100,000, Lopez says.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	18019.35	+195.06	+1.09
DJTransportation	9034.06	+101.59	+1.14
DJUtilities	593.83	-19.86	-3.24
DJ65Stocks	6449.80	+26.73	+0.42
DJUSMarket	528.05	+10.45	+2.02
NYSEComp.	11042.70	+195.19	+1.80
NYSEMKTComp.	2468.25	+15.96	+0.65
S&P500	2096.99	+41.52	+2.02
S&PMidCap	1502.78	+25.89	+1.75
S&PSmallCap	705.45	+8.60	+1.23
Nasdaq	4893.84	+149.44	+3.15
ValueLine(arith.)	4799.13	+86.25	+1.83
Russell2000	1223.13	+17.67	+1.47
DJUSTSMFloat	21875.95	+427.72	+1.99

	Last Week	Week Earlier
NYSE		
Advances	2,119	2,262
Declines	1,143	1,002
Unchanged	29	32
NewHighs	339	486

NewLows	63	111
AvDailyVol(mil)	3,577.2	4,127.9
Dollar		
(Finexspotindex)	94.18	94.65
T-Bond		
(CBTnearbyfutures)	145-290	147-210
Crude Oil		
(NYMlightsweetcrude)	52.78	51.69
Inflation KR-CRB		
(FuturesPriceIndex)	229.19	224.85
Gold		
(CMXnearbyfutures)	1226.50	1233.90

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文件 B000000020150214eb2g00011

DOW JONES
NEWSWIRES

The Trader: The Bull Returns, And Stocks Hit New Highs -- Barron's

2,124 字
2015 年 2 月 14 日 05:08
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 2/16/15)
By Vito J. Racanelli

The broad market soared to all-time highs last week, surfing 2% higher on a wave of reassuring -- if short term -- developments. Small-caps made a comeback, outperforming megacaps, which some take as supportive of a more sustained resurgence after the year's so-far desultory move.

"A confluence of factors both geopolitical and fundamental helped global markets rise, not just the U.S.," says Joseph Amato, chief investment officer at Neuberger Berman. With a Ukrainian cease-fire agreed to on Thursday, and Greece and its creditors seen to be talking rather than bickering, "at least for now, it seems to have calmed fears," Amato says. Whether the actions last week presage long-term solutions remain to be seen.

Investors were also heartened by rising oil prices, more promising German economic data, and a "reasonable" showing from fourth-quarter earnings reports, he adds.

Crude prices rose for the third consecutive week. While there is an oversupply of the black gold, the sustained oil increase is easing fears about oil demand and global growth.

Though euro-zone economic data on Friday showed some big countries are still stagnating, Germany -- the Continent's engine -- posted 0.7% fourth-quarter gross-domestic-product growth, significantly better than the previous quarter.

Last week, the Dow Jones Industrial Average picked up 195 points, or 1.1%, to 18,019.35, while the Standard & Poor's 500 index jumped 2%, or 42, to 2096.99, a record close. The Nasdaq Composite tacked on 149, or 3.2%, to 4893.84, and the Russell 2000 small-caps index gained 1.5% to 1223.13.

After underperforming for a year, small-cap stocks played catch-up last week, says Rick Fier, a trader at Conifer Securities. Given that the group didn't outperform as the greenback strengthened, contrary to expectation, the latest rise is seen as confirming the bull, he says. Fier expects the S&P to surpass 2100 soon and then grind higher.

Another anecdotal support for the bull is the recent tendency in merger announcements for shares of both targets and acquirers to rise simultaneously. That suggests animal spirits are improving.

With about 391 companies in the S&P 500 index having reported, or 85% of the market cap, profits grew 6.3% and revenue, 1.4%, says Sheraz Mian, Zacks director of research. Revenue growth is significantly lower than the recent average. While energy has been a drag on earnings, Apple's (ticker: AAPL) huge profits have helped, he adds.

Looking ahead, Mian adds that "growth has effectively" evaporated, with first-quarter S&P 500 earnings expectations swinging to a negative 3.4% from a positive 10% expectation in October. That doesn't bode well for the spring.

Signs of Life at Fifth Third

For Cincinnati-based Fifth Third Bank (FITB), 2014 was tougher than expected. Results fell, breaking a string of sharply improving annual profits since 2009.

At $19.26, shares of the bank, with an Eastern footprint of 1,300 branches from Michigan to Florida, are down almost 20% from near $24 last March. Last year, earnings per share were $1.68, compared with $1.99 in 2013. Wall Street is lukewarm on the stock, and 2015 consensus analyst EPS estimates have fallen to $1.64 from $1.91.

The issues facing Fifth Third, however, seem to be industry-related -- and some are their own, but resolvable. Given a 2.7% dividend yield and the potential for annual stock buybacks of 5% of outstanding shares, even a mild improvement in the banking climate could surprise investors and send the stock toward the previous high over the next 18 to 24 months.

Last year, the bank had to modify its "early access product," criticized as payday lending, which cut revenue by $120 million to $130 million, or 2% of the total. Hence, analysts reduced 2015 EPS estimates, notes Jeff Bahl, a money manager at Bahl & Gaynor, which holds Fifth Third shares for clients. The "expectations bar" is low now, he adds, and "a little bit less bad news" could support the stock.

As at most banks, net interest margins continue to drop, thanks to the Federal Reserve's policy of artificially low interest rates. The fourth-quarter NIM, or interest income minus interest paid relative to interest earning assets, was 2.96% versus 3.21% a year ago. No one knows when, but the Fed will hike short-term rates, which suggests NIM is bottoming, says Matt Dmytryszyn, a money manager at LaSalle Street Capital Management, which bought Fifth Third shares lately.

After rising sequentially in the first three quarters of 2014, in the fourth the commercial loan portfolio of $54.2 billion was flat compared with the third quarter. That slowdown was related to the bank's decision not to "chase" business by lowering credit standards or loan pricing. That might hurt in the short term, but it is a prudent move by management, Dmytryszyn adds.

Bahl agrees: The bank has taken flak on this, but Fifth Third has probably avoided overlending to the energy sector. Banks that increased energy lending will be dealing with the fallout this year, he notes.

Dmytryszyn likes that this regional bank is moving toward corporate loans and away from consumers. Commercial and industrial corporate lending grew at a robust 6% in the fourth quarter from the year-earlier quarter. Such loans are typically higher quality and priced at variable rates that move up when benchmark rates rise. Consumer loans, meanwhile, like mortgages, were up just 1% year on year, and mortgage lending tends to be fixed rate and lower quality.

Fifth Third is pretty stingy, too, with a cost of funds averaging 12 basis points, meaning it spends 1.2 cents to get a dollar of deposits, versus about 1.9 cents in the industry. Despite the 2014 head winds, Fifth Third still managed to raise core deposits by a healthy 8%, to $96 billion.

In the fourth quarter, $720 million in residential mortgages, called "troubled debt restructurings," were moved from the balance sheet to "held for sale" status. The resulting charge hurt earnings by about $87 million, or roughly 11 cents per share, but by taking the hit now it should pay off in the future in the form of lower charge-offs.

Fifth Third also has around $7 billion of excess liquidity of 2015 regulatory needs. Probably only a portion of this -- currently sitting at the Fed earning interest of just 0.25% -- could be put to work, but it would help boost EPS beyond expectations.

The bank's valuation discounts its problems, with a price/earnings ratio of 11.7 times 2015 EPS consensus. It would trade at one times book value, once the value of its 23% stake in Vantiv Holding (VNTV), a fast-growing electronic-payments processor, is backed out. The bank has been selling down that holding, and future Vantiv sales, which need Fed approval, could be used to accretively buy back stock, adds Bahl.

Vantiv was profiled positively in Barron's last week ("A 15% Upside for Vantiv," Feb. 9).

Fifth Third shares aren't going to zoom like a tech stock. For a long-term income-oriented investor, however, there's potential for a double-digit annual total return over the next two years from a bank with a strong capital position and improving credit profile.

Red Flags at Ubiquity

Not all tech stocks zoom. Ubiquiti Networks (UBNT), the subject of a skeptical item here recently, reported quarterly results that sustain a view that the stock is overvalued compared with peers.

In the fiscal second quarter ended on Dec. 31, its revenue rose 11% from the year-ago period, to $153.1 million, while net income increased 11%, to $46.3 million, or 52 cents per share fully diluted from $41.8 million, or 47 cents per share. That's tepid compared with 80% sales growth and profits that more than doubled to $177 million, or $2.02, in the June-ended fiscal 2014.

Two-thirds of Ubiquity's business is service-provider technology, low-priced networking gear, like base stations for wireless Internet-service providers in remote areas. Due to saturation, growth there is cooling, from a 60% revenue rise in fiscal 2014 to an 11% decline in the just-ended quarter.

The remaining third comes from the faster-growing enterprise-technology division for small business, such as wireless local-area-network, or LAN, products. In the second quarter, enterprise technology more than doubled sales, to $53.4 million, but it wasn't enough to keep total revenue growth from braking appreciably.

Apart from slowing growth -- Ubiquiti lowered sales guidance for the third fiscal quarter -- there are some puzzling questions about the results. We previously noted Ubiquiti's underspending, with selling, general, and administrative expenses around 4% of sales compared with 34% at rivals. In the second quarter, SG&A was $5.4 million, the lowest going back two years, when revenue was half as large.

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14 Feb 2015 00:08 ET The Trader: The Bull Returns, And Stocks Hit New -2-

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DJUSMarket	528.05	+10.45	+2.02
NYSEComp.	11042.70	+195.19	+1.80
NYSEMKTComp.	2468.25	+15.96	+0.65
S&P500	2096.99	+41.52	+2.02
S&PMidCap	1502.78	+25.89	+1.75
S&PSmallCap	705.45	+8.60	+1.23
Nasdaq	4893.84	+149.44	+3.15
ValueLine(arith.)	4799.13	+86.25	+1.83
Russell2000	1223.13	+17.67	+1.47
DJUSTSMFloat	21875.95	+427.72	+1.99

	Last Week	Week Earlier
NYSE		
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Declines	1,143	1,002

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NewLows	63	111
AvDailyVol(mil)	3,577.2	4,127.9
Dollar		
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T-Bond		
(CBTnearbyfutures)	145-290	147-210
Crude Oil		
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Inflation KR-CRB		
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Gold		
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(END) Dow Jones Newswires

February 14, 2015 00:08 ET (05:08 GMT)

文件 DJDN000020150214eb2e000cn

DOW JONES
NEWSWIRES

Five Reasons to Buy Valero Energy, Sell Tesoro -- Barron's Blog

By Ben Levisohn
348 字
2015 年 2 月 13 日 15:53
Dow Jones Institutional News
DJDN
英文

All oil refiners are the same, right? Wrong, say the folks at Goldman Sachs, who urge investors swap out of Tesoro (TSO) and into Valero Energy (VLO). Analyst Neil Mehta and team offer five reasons why:

(1) Valero Energy offers investors a compelling turnaround story, similar to Tesoro in 2014, with a clear, new strategy to reduce growth capex and return capital to shareholders.

(2) We believe the upside from the midstream/logistics MLP segment, Valero Energy Partners (VLP), is generally underappreciated. We expect Valero Energy to be as aggressive as any refiner in dropping down assets to its underlying MLP.

(3) Given increasing Gulf Coast and Mid-Continent crude inventories, we see the potential for investors to shift capital away from East/West Coast refiners and back to the center of the US. Valero Energy's refining margins in Canada should also benefit from the Enbridge (ENB) Line 9 coming into service in June.

(4) Valero Energy, thus far, has not been impacted by USW strikes -- unlike Tesoro's California refining operations.

(5) Valero Energy trades at the lowest P/E multiple among US refiners and one of the lowest P/E multiples in the S&P500. On our estimates, Valero Energy trades at 9.7x on 2016 EPS versus the refining sector closer to 12.0x.

As a result, Mehta upgraded Valero Energy from Neutral to Buy and place it on the Goldman Sachs conviction list, while downgrading Tesoro to Neutral from Buy and removed it from the conviction list.

Shares of Valero Energy have gained 3.8% to $58.69, while Tesoro has fallen 1.5% to $80.17.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/
Access Investor Kit for The Goldman Sachs Group, Inc.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US38141G1040

Access Investor Kit for Valero Energy Corp.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US91913Y1001

(END) Dow Jones Newswires

February 13, 2015 10:53 ET (15:53 GMT)

文件 DJDN000020150213eb2d002fs

Five Reasons to Buy Valero Energy, Sell Tesoro
Barron's Blogs, 2015 年 2 月 13 日 15:53, 287 字, By Ben Levisohn, (英文)
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文件 WCBBE00020150213eb2d00105

DOW JONES
NEWSWIRES

*Molson Coors Increases Dividend, Reports Higher Full Year Underlying After-Tax Income, EBITDA And Free Cash Flow, But Lower Fourth Quarter After-Tax Income And EBITDA >TAP

10,419 字
2015 年 2 月 10 日 12:30
Dow Jones Institutional News
DJDN
英文

10 Feb 2015 07:30 ET Press Release: Molson Coors Increases Dividend, Reports Higher Full Year Underlying After-Tax Income, EBITDA and Free Cash Flow, But Lower Fourth Quarter After-Tax Income and EBITDA

Molson Coors Increases Dividend, Reports Higher Full Year Underlying After-Tax Income, EBITDA and Free Cash Flow, But Lower Fourth Quarter After-Tax Income and EBITDA

$957 Million of Underlying Free Cash Flow and $1.47 Billion of Underlying EBITDA Generated in 2014

Molson Coors Announces 11% Dividend Increase and New Four-Year, $1 Billion Stock Repurchase Program

Fourth Quarter 2014 Highlights (1)

-- Net sales: $973.8 million, down 5.3% on a reported basis, but up 0.9% in constant currency

-- Net sales per HL: $136.81, decreased 6.1%, but unchanged in constant currency

-- Worldwide beer volume: 14.0 million hectoliters, decreased 0.3%; Coors Light volume grew more than 2% worldwide

-- U.S. GAAP net income from continuing operations attributable to MCBC: $93.2 million, decreased 31.9% ($0.50 per diluted share), driven by a higher effective tax rate, unfavorable foreign currency, lower worldwide volumes and increased brand investments

-- Underlying after-tax income: $102.1 million ($0.55 per diluted share), decreased 21.0%

-- Underlying EBITDA (earnings before interest, taxes, depreciation and amortization): $273.9 million, decreased 14.6%

Full Year 2014 Highlights (1)

-- Net sales: $4.15 billion, down 1.4% on a reported basis, but up 0.3% in constant currency

-- Net sales per HL: $136.19, decreased 1.2%, but up 0.6% in constant currency

-- Worldwide beer volume: 59 million hectoliters, decreased 1.3%; Coors Light volume grew nearly 2% worldwide

-- U.S. GAAP net income from continuing operations attributable to MCBC: $513.5 million decreased 9.2% ($2.76 per diluted share), driven by the impairment of intangible brand assets in Europe

-- Underlying after-tax income: $768.5 million ($4.13 per diluted share), increased 5.7%

-- Underlying EBITDA (earnings before interest, taxes, depreciation and amortization): $1.47 billion, increased 0.1%

DENVER & MONTREAL--(BUSINESS WIRE)--February 10, 2015--

Molson Coors Brewing Company (NYSE: TAP; TSX: TPX) today reported a 21.0 percent decrease in underlying after-tax income for the fourth quarter 2014, driven by unfavorable foreign currency, increased brand investments and incentive compensation this year, along with lower volume in the U.S. and Canada, and the termination of our Modelo brands agreement in Canada. On a U.S. GAAP basis, the company reported a 31.9 percent decline in net income to $93.2 million, primarily due to a higher effective tax rate, unfavorable foreign currency, lower worldwide volumes and increased brand investments.

Full year underlying after-tax income increased 5.7 percent to $768.5 million, or $4.13 per diluted share. On a U.S. GAAP basis, net income from continuing operations declined 9.2 percent to $513.5 million primarily due to increased impairments of intangible brand assets.

Molson Coors president and chief executive officer Mark Hunter said, "Overall, 2014 was a good year for Molson Coors. We grew net sales in constant currency, as well as underlying EBITDA, free cash flow, after-tax income and earnings per share. Weak consumer demand continued across our largest markets, but we made good progress in building a stronger brand portfolio, delivering value-added innovation, strengthening our core brand positions, and increasing our share in above premium. We also continued to improve our sales execution and revenue management capabilities, increase the efficiency of our operations, implement common systems and focus on Profit After Capital Charge as the key driver for our cash and capital allocation strategy. As a result, we delivered $1.47 billion of underlying EBITDA and $768.5 million of underlying after-tax income. We drove working capital performance company-wide and achieved $957 million of underlying free cash flow, which exceeded our original 2014 free cash flow goal by more than $250 million. We over-delivered against our cost savings targets, and we reduced our net debt by nearly $800 million. We grew our global above-premium volume, net pricing and sales mix, and maintained market share in Europe despite a poor economy and floods in some of our highest-share markets. Volume challenges included Coors Light performance in the U.S. and Canada, however, Coors Light worldwide volume grew nearly 2 percent on the strength of its performance in Europe and International. We also cycled the termination of the Modelo brands joint venture in Canada. Despite these challenges, our overall profit and cash performance helped to drive a positive total shareholder return (TAP stock price, plus dividends) of 35.7 percent in 2014, which is more than two-and-a-half times the total return for the S&P500 index of large stocks last year."

Hunter added, "In the 4th quarter, we grew constant-currency net sales nearly 1 percent, while our underlying after-tax income decreased 21 percent due to unfavorable foreign currency, increased brand investments and incentive compensation this year, lower volume in the U.S. and Canada, and the termination of our Modelo brands agreement in Canada."

Hunter continued, "Also, in recognition of the substantial progress we have made in generating cash and paying down debt, our board has approved a new program to repurchase up to $1 billion of the Company's Class A and Class B Common shares, which we expect to implement over the next four years. We anticipate that the stock repurchases will be weighted toward the last two years of the program. Our board has also authorized an increase in our quarterly dividend from 37 cents per share to 41 cents per share, beginning in the first quarter of 2015. This 11 percent increase follows a double-digit increase in our quarterly dividend last year and results in an annual dividend amount of $1.64 per share, which represents a payout ratio of 20.6 percent of 2014 underlying EBITDA. We continue to target a dividend payout in the range of 18 percent to 22 percent of trailing underlying EBITDA, which we anticipate will keep our dividend in a competitive range for global beer companies for the foreseeable future. This new stock buyback program and the increased dividend reflect our continued confidence in the long-term growth and cash generating potential of our Company and our commitment to returning cash to our shareholders."

New Stock Repurchase Program

Molson Coors Brewing Company announced today that its board of directors has approved a new program authorizing the repurchase, effective immediately, of up to $1.0 billion of the Company's Class A and Class B Common stock, with an expected term of four years, which replaces all prior stock repurchase programs. The Company anticipates that the stock repurchases will be weighted toward the last two years of the program.

"In the past several years, we have generated substantial cash, continued to strengthen the Company's balance sheet, added new brands and businesses in select markets, and more than doubled our dividends," said Mark Hunter. "The combination of strong cash generation and underlying EBITDA has allowed us to reduce our leverage ratios to pre-StarBev acquisition levels and consider share buybacks a full year earlier than originally anticipated."

"This announcement reflects our continued confidence in the future profit and cash generating potential of our Company. We are in a strong position to increase cash returns to Molson Coors shareholders while maintaining a strong balance sheet and preserving the financial flexibility to explore growth opportunities and fund our pensions," said Gavin Hattersley, Molson Coors Chief Financial Officer.

Molson Coors plans to purchase its Class A and Class B Common stock from time to time, principally in the open market or through private transactions. The number, price and timing of the repurchases will be at the Company's sole discretion and will be evaluated depending on market conditions, liquidity needs or other factors. The Company's board of directors may suspend, modify or terminate the program at any time without prior notice.

Quarterly Dividend Increased 11 Percent

Molson Coors Brewing Company (NYSE: TAP, TAP.A) today declared an increased regular quarterly dividend of $0.41 per share, payable March 16, 2015, to Class A and Class B shareholders of record on February 27, 2015. This dividend represents an 11 percent increase from the previous quarterly rate of $0.37 per share and raises the annual dividend rate to $1.64 per share. In addition, Molson Coors Canada Inc. (TSX: TPX.B, TPX.A), declared a quarterly dividend of the Canadian dollar equivalent of $0.41 per share using today's noon spot exchange rate as reported by the Bank of Canada, payable March 16, 2015, to Class A exchangeable and Class B exchangeable shareholders of record on February 27, 2015.

Underlying EBITDA and Free Cash Flow

Underlying EBITDA was $273.9 million in the fourth quarter, a 14.6 percent decrease from a year ago. Full year underlying EBITDA increased 0.1 percent from a year ago to $1.47 billion this year.

Underlying free cash flow for the year totaled $956.7 million, an increase of $64.7 million from the prior year, driven by increased distributions from MillerCoors, as well as lower cash paid for pension contributions, capital expenditures, interest and taxes, along with higher underlying income. These increases were partially offset by a decreased benefit from changes in net working capital.

Worldwide Volume

Worldwide beer volume in the fourth quarter of 14.0 million hectoliters decreased 0.3 percent. Full year worldwide beer volume in 2014 of 59.0 million hectoliters decreased 1.3 percent.

Cost Savings Highlights

In 2014, the Company delivered more than $70 million of cost savings excluding MillerCoors, which achieved an additional $143 million of cost savings. Molson Coors benefits from 42 percent of MillerCoors cost savings, equal to $60 million in 2014.

Foreign Exchange

10 Feb 2015 07:30 ET Press Release: Molson Coors Increases Dividend, -2-

The Company's fourth quarter underlying consolidated pretax income includes the negative effect of foreign currency movements of approximately $2 million in Europe, $5 million in Canada and $4 million in Corporate. For the full year, underlying consolidated pretax income includes the effect of foreign currency movements that were approximately $8 million positive in Europe, $18 million negative in Canada, $7 million negative in Corporate and $1 million negative in International.

Effective Income Tax Rates

The Company's fourth quarter effective income tax rate was 22 percent on a reported basis and 24 percent on an underlying basis. On a U.S. GAAP basis, the higher tax rate was driven by the cycling of special and other non-core items in the prior year, changes to valuation allowances, and fluctuations in foreign currency rates. On an underlying basis, our effective tax rate was in line with the prior year.

The Company's full year 2014 effective tax rate was 12 percent on a reported basis and 15 percent on an underlying basis.

Debt

Total debt at the end of the fourth quarter was $3.187 billion, and cash and cash equivalents totaled $624.6 million, resulting in net debt of $2.562 billion, which is $795.7 million lower than the prior year.

Fourth Quarter Business Segment Results

The following are the Company's fourth quarter 2014 results by business segment:

United States Business (MillerCoors)(2)

Molson Coors underlying U.S. segment underlying equity income decreased 12.4 percent to $90.0 million in the quarter.

MillerCoors Operating and Financial Highlights

MillerCoors underlying net income for the quarter decreased 11.8 percent to $213.3 million, driven by lower shipment volume, unrealized losses on commodity hedges and higher marketing investment.

MillerCoors domestic sales-to-retailers volume (STRs) declined 1.7 percent for the quarter. Domestic sales-to-wholesalers volume (STWs) decreased 3.7 percent. Domestic net revenue per hectoliter, which excludes contract brewing and company-owned-distributor sales, grew 2.0 percent due to favorable net pricing and positive sales mix. Total company net revenue per hectoliter, including contract brewing and company-owned-distributor sales, increased 2.0 percent. Contract brewing volumes increased 1.9 percent.

Cost of goods sold (COGS) per hectoliter increased 3.0 percent, driven by unrealized losses on commodity hedges, commodity and brewery inflation, lower fixed-cost absorption and higher costs associated with brand innovation. Marketing, general and administrative (MG&A) expense increased 1.8 percent, driven primarily by higher media investment, partially offset by lower employee benefit related expenses.

Depreciation and amortization expenses for MillerCoors were $78.0 million in the fourth quarter and $311.1 million for the year, and additions to tangible and intangible assets totaled $138.9 million in the fourth quarter and $401.1 million for the year.

Canada Business

Canada underlying pretax income decreased 14.1 percent to $76.2 million in the quarter and decreased 8.8 percent on a constant-currency basis. More than half of the constant-currency decline was driven by cycling the $4.2 million benefit of 2013 equity earnings and administrative cost recoveries related to the Modelo joint venture, which was terminated at the end of February 2014. Input cost inflation, lower volume, and cycling unusually low incentive compensation expense a year ago also contributed to the decline. A decrease in the Canadian dollar versus the U.S. dollar resulted in an approximate $5 million negative foreign currency impact on underlying pretax income in the quarter. These negative factors were partially offset by substantial cost savings in the fourth quarter this year.

STRs decreased 4.2 percent on a reported basis in the fourth quarter, primarily due to our termination of the Modelo joint venture earlier this year, along with competitive promotional activity across Canada. The company's market share(3) declined approximately one point. Molson Coors Canada sales volume(3) decreased 3.4 percent in the fourth quarter. Net sales per hectoliter increased 2.3 percent in local currency, driven by positive net pricing and mix.

COGS per hectoliter increased 7.1 percent in local currency, driven by input cost inflation, fixed-cost deleverage, and the termination of the Modelo brands joint venture in 2014, partially offset by cost savings. MG&A expense decreased 7.4 percent in local currency, due to lower overhead and other costs, partially offset by higher marketing investments in the fourth quarter.

Europe Business

Europe underlying pretax income decreased 14.7 percent to $38.3 million in the quarter and decreased 10.0 percent on a constant currency basis. Positive volume and pricing drove strong net sales and gross margin growth in the quarter, but pretax income declined due to increased marketing and sales investments and approximately $2 million of negative impact from foreign currency movements.

Molson Coors Europe sales volume increased 1.8 percent, driven by growth in eight of 11 countries, with the exceptions of Serbia, Ireland and the United Kingdom. On a comparable-trading-day basis, U.K. volume increased in the quarter. Europe net sales per hectoliter increased 0.5 percent in local currency, driven by positive pricing.

COGS per hectoliter decreased 2.0 percent in local currency, driven by lower distribution costs and mix shift to lower-cost geographies.

MG&A expense increased 10.6 percent in local currency, due to increased marketing and sales investments across the region.

International Business

The International segment posted an underlying pretax loss of $3.9 million in the fourth quarter, versus a loss of $5.8 million a year ago, due to strong double-digit volume growth and lower overheads.

Total International sales volume, including royalty volume, increased 19.5 percent, primarily due to strong Coors Light growth in Latin America and volume growth in India. Net sales per hectoliter decreased 14.3 percent, driven by foreign currency movements and geographic mix.

COGS per hectoliter decreased 16.4 percent, due to sales mix changes and foreign currency movements. International MG&A expense decreased 9.3 percent, driven by lower overhead expenses and foreign currency movements.

Corporate

Underlying Corporate pretax loss totaled $65.8 million for the fourth quarter, a $6.0 million increase versus the prior year, driven by unfavorable foreign currency movements and higher incentive compensation, partially offset by lower underlying interest expense.

Change in Interim Period Accounting for Advertising Expenses

Effective the first quarter of 2014, we changed our policy for recognizing advertising expenses during interim periods and have applied this change retrospectively. The change in interim accounting affects the timing of advertising expenses over interim periods but has no impact on full year results. We have provided the impact to fiscal year 2013 quarterly results on our investor relations website.

Special and Other Non-Core Items

The following special and other non-core items have been excluded from underlying pretax earnings.

During the quarter, Molson Coors recognized a net special charge of $6.6 million. This pretax charge was primarily driven by $4.0 million of accelerated depreciation expense related to management's proposal to close our Alton brewing facility in the U.K. during 2015, as well as $2.7 million of restructuring costs.

MillerCoors did not incur any special charges in the quarter.

Other non-core items resulted in $7.6 million charge, which was driven by unrealized mark-to-market net losses on commodity hedges.

2014 Fourth Quarter Conference Call

Molson Coors Brewing Company will conduct an earnings conference call with financial analysts and investors at 11:00 a.m. Eastern Time today to discuss the Company's 2014 fourth quarter and full year results. The Company will provide a live webcast of the earnings call.

The Company will also host an online, real-time webcast of an Investor Relations Follow-up Session with financial analysts and institutional investors at 1:00 p.m. Eastern Time. Both webcasts will be accessible via the Company's website, www.molsoncoors.com. Online replays of the webcasts will be available until 11:59 p.m. Eastern Time on May 6, 2015. The Company will post this release and related financial statements on its website today.

Footnotes:

(1) The Company calculates non-GAAP underlying after-tax income, underlying EBITDA, underlying free cash flow and constant currency results by excluding special and other non-core items from the nearest U.S. GAAP performance measure, which is net income from continuing operations attributable to MCBC for both underlying after-tax income and underlying EBITDA and net cash provided by operating activities for underlying free cash flow. For further details regarding these adjustments, please see the section "Special and Other Non-Core Items," along with tables for reconciliations to the nearest U.S. GAAP measures. Unless otherwise indicated, all $ amounts are in U.S. Dollars and all quarterly comparative results are for the Company's fiscal fourth quarter and full year ended December 31, 2014, compared to the fiscal fourth quarter and full year ended December 31, 2013. Additionally, all per-hectoliter calculations exclude contract brewing and non-owned factored beverage volume in the denominator but include the financial impact of these sales in the numerator, unless otherwise indicated.

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(2) MillerCoors, a U.S. joint venture of Molson Coors Brewing Company and SABMiller plc, was launched on July 1, 2008. Molson Coors has a 42 percent economic interest in MillerCoors, which is accounted for using the equity method. Molson Coors' interest in MillerCoors results, along with certain adjustments under U.S. GAAP, is reflected in "Equity Income in MillerCoors." This release includes reconciliation from MillerCoors Net Income to Molson Coors Brewing Company Equity Income in MillerCoors and Non-GAAP U.S. Segment Underlying Pretax Income (see Table 8).

(3) Excludes the Modelo brands from our Canada STR results in fourth quarter 2013 and 2014. The Company terminated on February 28, 2014, its joint venture that sold the Modelo brands in Canada, and control of the brands reverted to Anheuser-Busch InBev.

Overview of Molson Coors

Molson Coors Brewing Company is one of the world's largest brewers. The Company's operating segments include Canada, the United States, Europe, and Molson Coors International (MCI). The Company has a diverse portfolio of owned and partner brands, including signature brands Carling, Coors Banquet, Coors Light, Molson Canadian and Staropramen. Molson Coors is listed on the 2014/2015 Dow Jones Sustainability World Index (W1SGITRD), the most recognized global benchmark of sustainability among global corporations. For more information on Molson Coors Brewing Company, visit the company's website, www.molsoncoors.com.

About Molson Coors Canada Inc.

Molson Coors Canada Inc. (MCCI) is a subsidiary of Molson Coors Brewing Company. MCCI Class A and Class B exchangeable shares offer substantially the same economic and voting rights as the respective classes of common shares of MCBC, as described in MCBC's annual proxy statement and Form 10-K filings with the U.S. Securities and Exchange Commission. The trustee holder of the special Class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

Forward-Looking Statements

This press release includes estimates or projections that constitute "forward-looking statements" within the meaning of the U.S. federal securities laws. Generally, the words "believe," "expect," "intend," "anticipate," "project," "will," and similar expressions identify forward-looking statements, which generally are not historic in nature. Although the Company believes that the assumptions upon which its forward-looking statements are based are reasonable, it can give no assurance that these assumptions will prove to be correct. Important factors that could cause actual results to differ materially from the Company's historical experience, and present projections and expectations are disclosed in the Company's filings with the Securities and Exchange Commission ("SEC"). These factors include, among others, impact of competitive pricing and product pressures; health of the beer industry and our brands in our markets; economic conditions in our markets; pension plan costs; availability or increase in the cost of packaging materials; our ability to maintain manufacturer/distribution agreements; our ability to implement our strategic initiatives, including executing and realizing cost savings; our ability to successfully integrate newly acquired businesses; changes in legal and regulatory requirements, including the regulation of distribution systems; increase in the cost of commodities used in the business; our ability to maintain brand image, reputation and product quality; our ability to maintain good labor relations; changes in our supply chain system; additional impairment charges; the impact of climate change and the availability and quality of water; risks relating to operations outside North America; success of our joint ventures; lack of full-control over the operations of MillerCoors; and other risks discussed in our filings with the SEC, including our most recent Annual Report on Form 10-K, which are available from the SEC. All forward-looking statements in this press release are expressly qualified by such cautionary statements and by reference to the underlying assumptions. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We do not undertake to update forward-looking statements, whether as a result of new information, future events or otherwise.

Use of Non-GAAP Measures

In addition to financial measures presented on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"), we also present pretax and after-tax "underlying income," "underlying effective tax rate," "underlying free cash flow," and "constant currency," which are non-GAAP measures and should be viewed as supplements to (not substitutes for) our results of operations presented under U.S. GAAP. We also present underlying earnings before interest, taxes, depreciation, and amortization ("underlying EBITDA") as a non-GAAP measure. Our management uses underlying income, underlying EBITDA, underlying effective tax rate, underlying free cash flow and constant currency as measures of operating performance to assist in comparing performance from period to period on a consistent basis; as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; in communications with the board of directors, stockholders, analysts and investors concerning our financial performance; as useful comparisons to the performance of our competitors; and as metrics of certain management incentive compensation calculations. We believe that underlying income, underlying EBITDA, underlying effective tax rate, underlying free cash flow and constant currency performance are used by and are useful to investors and other users of our financial statements in evaluating our operating performance because they provide an additional tool to evaluate our performance without regard to special and non-core items, which can vary substantially from company to company depending upon accounting methods and book value of assets and capital structure. We have provided reconciliations of all non-GAAP measures to their nearest U.S. GAAP measures and have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure. These adjustments consist of special items from our U.S. GAAP financial statements as well as other non-core items, such as acquisition and integration related costs, unrealized mark-to-market gains and losses, and gains and losses on sales of non-operating assets, included in our U.S. GAAP results that warrant adjustment to arrive at non-GAAP results. We consider these items to be necessary adjustments for purposes of evaluating our ongoing business performance and are often considered non-recurring. Such adjustments are subjective and involve significant management judgment.

Reconciliations to Nearest U.S. GAAP Measure Molson Coors Brewing Company and Subsidiaries Table 1: Fourth Quarter Underlying After-Tax Income ($ In millions, except per share data) (Unaudited)

	Three Months Ended	
	December 31, 2014	December 31, 2013(1)
U.S. GAAP: Net income attributable to MCBC from continuing operations	$ 93.2	$ 136.9
Per diluted share	$ 0.50	$ 0.74
Add/(less):		
Special items, net	6.6	34.2
42% of MillerCoors special items, net of tax(2)	--	2.0
Acquisition and integration related costs(3)	--	2.4
Unrealized mark-to-market (gains) and losses(4)	7.6	2.3
Other non-core items(5)	--	(22.3)
Tax effects on non-GAAP items	(5.3)	(26.3)
Non-GAAP: Underlying after-tax income	$ 102.1	$ 129.2
Per diluted share	$ 0.55	$ 0.70

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(2) Included in equity income in MillerCoors.

(3) In Q4 2013, $2.4 million costs included in marketing, general and

administrative expenses.

(4) In Q4 2014, $7.6 million loss included in cost of goods sold. In Q4 2013, $1.0 million loss included in other income (expense), net, and $1.3 million loss in cost of goods sold.

(5) Included in other income (expense), net.

Molson Coors Brewing Company and Subsidiaries
Table 2: Fourth Quarter Underlying Pretax Income (Loss)
($ In millions) (Unaudited)

	Business					Total
	Canada	U.S.	Europe	MCI	Corporate	Consolidated
U.S. GAAP: 2014 4th Q Income (loss) from continuing operations before income taxes	$76.2	$ 90.0	$31.7	$(3.9)	$ (73.4)	$ 120.6
Add/(less):						
Special items, net	--	--	6.6	--	--	6.6
Unrealized mark-to-market (gains) and						

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	Canada	U.S.	Europe	MCI	Corporate	Consolidated
losses(1)	--	--	--	--	7.6	7.6
Non-GAAP: 2014 4th Q underlying pretax income (loss)	$76.2	$ 90.0	$38.3	$(3.9)	$ (65.8)	$ 134.8
Percent change 2014 4th Q vs. 2013 4th Q underlying pretax income (loss)	(14.1)%	(12.4)%	(14.7)%	32.8%	(10.0)%	(21.0)%
U.S. GAAP: 2013 4th Q Income (loss) from continuing operations before income taxes(2)	$62.7	$100.7	$31.1	$(0.2)	$ (42.2)	$ 152.1
Add/(less):						
Special items, net	26.0	--	12.8	(5.6)	1.0	34.2
42% of MillerCoors special items, net of tax(3)	--	2.0	--	--	--	2.0
Acquisition and						

integration related costs(4)	--	--	1.0	--	1.4	2.4
Unrealized mark-to-market (gains) and losses(1)	--	--	--	--	2.3	2.3
Other non-core items(5)	--	--	--	--	(22.3)	(22.3)
Non-GAAP: 2013 4th Q underlying pretax income (loss)	$88.7	$102.7	$44.9	$(5.8)	$ (59.8)	$ 170.7

(1) In Q4 2014, $7.6 million loss included in cost of goods sold. In Q4 2013, $1.0 million loss included in other income (expense), net, and $1.3 million loss in cost of goods sold.

(2) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(3) Included in equity income in MillerCoors.

(4) In Q4 2013, $2.4 million costs included in marketing, general and administrative expenses.

(5) Included in other income (expense), net.

Molson Coors Brewing Company and Subsidiaries
Table 3: Full Year Underlying After-Tax Income
($ In millions, except per share data) (Unaudited)

	Twelve Months Ended	
	December 31, 2014	December 31, 2013(1)
U.S. GAAP: Net income attributable to MCBC from continuing operations	$ 513.5	$ 565.3
Per diluted share	$ 2.76	$ 3.07
Add/(less):		
Special items, net	324.4	200.0
42% of MillerCoors special items, net of tax(2)	0.6	8.3
Acquisition and integration related costs(3)	--	10.7
Unrealized mark-to-market (gains) and losses(4)	3.7	15.4
Other non-core items(5)	(11.3)	(23.5)
Tax effects on non-GAAP items	(62.4)	(49.1)
Non-GAAP: Underlying after-tax income	$ 768.5	$ 727.1

Per diluted share	$	4.13	$	3.95

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(2) Included in equity income in MillerCoors.

(3) In 2013, $10.7 million costs included in marketing, general and administrative expenses.

(4) In 2014, $0.5 million gain included in other income (expense), net, and $4.2 million loss in cost of goods sold. In 2013, $7.3 million loss included in other income (expense), net, $2.7 million loss in cost of goods sold, and $5.4 million loss included in interest expense, net.

(5) In 2014, $11.3 million gain included in marketing, general and administrative expenses. In 2013, $23.5 million gain included in other income (expense), net.

Molson Coors Brewing Company and Subsidiaries
Table 4: Full Year Underlying Pretax Income (Loss)
($ In millions) (Unaudited)

	Business				Total	
	Canada	U.S.	Europe	MCI	Corporate	Consolidated
U.S. GAAP: 2014 Full Year Income (loss) from continuing operations before income taxes	$406.8	$561.8	$(111.9)	$(13.3)	$(257.1)	$ 586.3
Add/(less):						
Special items, net	(41.8)	--	365.9	--	0.3	324.4
42% of MillerCoors special items, net of tax(1)	--	0.6	--	--	--	0.6
Unrealized mark-to-market (gains) and losses(2)	--	--	--	--	3.7	3.7
Other non-core items(3)	--	--	(11.3)	--	--	(11.3)
Non-GAAP: 2014 Full Year underlying pretax income (loss)	$365.0	$562.4	$ 242.7	$(13.3)	$(253.1)	$ 903.7
Percent change 2014 vs. 2013 Full Year underlying pretax income (loss)	(7.1)%	2.8%	13.8%	17.9%	6.9%	4.4%

U.S. GAAP: 2013 Full Year Income (loss) from continuing operations before income taxes(4)	$363.3	$539.0	$ 34.3	$(11.8)	$(270.3)	$ 654.5
Add/(less):						
Special items, net	30.7	--	172.4	(4.4)	1.3	200.0
42% of MillerCoors special items, net of tax(1)	--	8.3	--	--	--	8.3
Unrealized mark-to-market (gains) and losses(2)	--	--	--	--	15.4	15.4
Acquisition and integration related costs(5)	--	--	6.6	--	4.1	10.7
Other non-core items(3)	(1.2)	--	--	--	(22.3)	(23.5)
Non-GAAP: 2013 Full Year underlying pretax income (loss)	$392.8	$547.3	$ 213.3	$(16.2)	$(271.8)	$ 865.4

(1) Included in equity income in MillerCoors.

(2) In 2014, $0.5 million gain included in other income (expense), net, and $4.2 million loss in cost of goods sold. In 2013, $7.3 million loss included in other income (expense), net, $2.7 million loss in cost of goods sold, and $5.4 million loss included in interest expense, net.

(3) In 2014, $11.3 million gain included in marketing, general and administrative expenses. In 2013, $23.5 million gain included in other income (expense), net.

(4) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(5) In 2013, $10.7 million costs included in marketing, general and administrative expenses.

Molson Coors Brewing Company and Subsidiaries
Table 5: Underlying EBITDA
($ In millions) (Unaudited)

	Three Months Ended			Twelve Months Ended		
	December 31, 2014	December 31, 2013(1)	% change	December 31, 2014	December 31, 2013	% change
U.S. GAAP: Net income						

attributable to MCBC from continuing operations	$ 93.2	$ 136.9	(31.9)%	$ 513.5	$ 565.3	(9.2)%
Add: Net income (loss) attributable to noncontrolling interests	0.3	0.4	(25.0)%	3.8	5.2	(26.9)%
U.S. GAAP: Net income (loss) from continuing operations	$ 93.5	$ 137.3	(31.9)%	$ 517.3	$ 570.5	(9.3)%
Add: Interest expense (income), net	30.8	36.2	(14.9)%	133.7	170.1	(21.4)%
Add: Income tax expense (benefit)	27.1	14.8	83.1%	69.0	84.0	(17.9)%
Add: Depreciation and amortization	80.0	82.4	(2.9)%	313.0	320.5	(2.3)%
Adjustments included in underlying income(2)	14.2	16.6	(14.5)%	316.8	202.6	56.4%
Adjustments to arrive at underlying EBITDA(3)	(4.0)	(1.8)	122.2%	(8.9)	(7.7)	15.6%
Adjustments to arrive at underlying EBITDA related to our investment in MillerCoors(4)	32.3	35.1	(8.0)%	129.6	128.5	0.9%

Non-GAAP:

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Underlying EBITDA	$ 273.9	$ 320.6	(14.6)%	$1,470.5	$1,468.5	0.1%

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(2) Includes adjustments to non-GAAP underlying income within the table above related to special and non-core items.

(3) Represents adjustments to remove amounts related to interest, depreciation and amortization included in the adjustments to non-GAAP underlying income above, as these items are added back as adjustments to net income attributable to MCBC from continuing operations.

(4) Adjustments to our equity income from MillerCoors, which include our proportionate share of MillerCoors' interest, income tax, depreciation and amortization, special items, and amortization of the difference between the MCBC contributed cost basis and proportionate share of the

underlying equity in net assets of MillerCoors.

Molson Coors Brewing Company and Subsidiaries
Table 6: Underlying Free Cash Flow
($ In millions) (Unaudited)

		Twelve Months Ended	
		December 31, 2014	December 31, 2013
U.S. GAAP:	Net Cash Provided by Operating Activities	$ 1,272.6	$ 1,168.2
Less:	Additions to properties(1)	(259.5)	(293.9)
Less:	Investment in MillerCoors(1)	(1,388.1)	(1,186.5)
Add:	Return of capital from MillerCoors(1)	1,382.5	1,146.0
Add/(Less):	Cash impact of Special items(2)	(55.8)	48.8
Add:	Costs related to the Acquisition(3)	--	7.7
Add:	MillerCoors investments in businesses(4)	1.3	--
Add:	MillerCoors cash impact of Special items(4)	3.7	1.7
Non-GAAP:	Underlying Free Cash Flow	$ 956.7	$ 892.0

(1) Included in net cash used in investing activities.

(2) Included in net cash provided by operating activities and primarily reflects termination fees received from MMI in addition to costs paid for restructuring activities.

(3) Included in net cash provided by operating activities and reflects acquisition and integration costs paid.

(4) Amounts represent our proportionate 42% share of the cash flow impacts.

MillerCoors LLC
Table 7: Underlying Net Income Attributable to MillerCoors
($ In millions) (Unaudited)

Three Months Ended	Twelve Months Ended
December	

	December 31, 2014	December 31, 2013	31, 2014	December 31, 2013
U.S. GAAP: Net income attributable to MillerCoors	$ 213.3	$ 237.1	$1,326.2	$ 1,270.5
Add: Special items, net of tax	--	4.8	1.4	19.8
Non-GAAP: Underlying net income attributable to MillerCoors	$ 213.3	$ 241.9	$1,327.6	$ 1,290.3

Molson Coors Brewing Company and Subsidiaries
Table 8: Underlying Equity Income in MillerCoors
($ In millions) (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
U.S. GAAP: Net Income Attributable to MillerCoors	$213.3	$237.1	$1,326.2	$1,270.5
Multiply: MCBC economic interest	42%	42%	42%	42%
MCBC proportionate share of MillerCoors net income	$ 89.6	$ 99.6	$ 557.0	$ 533.6
Add: Amortization of the difference between MCBC contributed cost basis and proportionate share of the underlying equity in net assets of MillerCoors(1)	1.1	1.2	4.6	4.6
Add: Share-based compensation adjustment(2)	(0.7)	(0.1)	0.2	0.8
U.S. GAAP: Equity Income in MillerCoors	$ 90.0	$100.7	$ 561.8	$ 539.0

Add: MCBC proportionate share of MillerCoors special items, net of tax	--	2.0	0.6	8.3
Non-GAAP: Underlying Equity Income in MillerCoors	$ 90.0	$102.7	$ 562.4	$ 547.3

(1) Our net investment in MillerCoors is based on the carrying values of the net assets contributed to the joint venture which is less than our proportional share of underlying equity (42%) of MillerCoors (contributed by both Coors Brewing Company and Miller Brewing Company) by $661.6 million as of December 31, 2014. This basis difference, with the exception of certain non-amortizing items (goodwill, land, etc.), is being amortized as additional equity income over the remaining useful lives of the contributed long-lived amortizing assets.

(2) The net adjustment is to eliminate all share-based compensation impacts related to pre-existing SABMiller plc equity awards held by former Miller Brewing Company employees now employed by MillerCoors.

Molson Coors Brewing Company and Subsidiaries Table 9: Constant Currency Results: Constant Currency Reporting Net Sales, U.S. GAAP Pretax Income and Underlying Pretax Income (Unaudited) U.S. GAAP: Net Sales (In millions)

	Three Months Ended				
	December 31, 2014	December 31, 2013	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)
Canada	$423.1	$ 463.3	(8.7)%	$ (35.6)	(1.0)%
Europe	514.6	527.8	(2.5)%	(25.6)	2.3%
MCI	37.0	38.2	(3.1)%	(2.4)	3.1%
Corporate	0.2	0.3	(33.3)%	--	(33.3)%
Eliminations(1)	(1.1)	(1.2)	8.3%	--	8.3%
Molson Coors Consolidated Total	$973.8	$1,028.4	(5.3)%	$ (63.6)	0.9%

(1) Reflects intercompany sales from Europe to MCI, and the offset is included within MCI cost of goods sold. These amounts are eliminated in the consolidated totals.

U.S. GAAP: Pretax Income (In millions)

Three Months Ended

	December 31, 2014	December 31, 2013(1)	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)
MillerCoors (42% portion)	$ 90.0	$100.7	(10.6)%	$ --	(10.6)%
Canada	76.2	62.7	21.5%	(4.8)	29.2%
Europe	31.7	31.1	1.9%	(1.8)	7.7%
MCI	(3.9)	(0.2)	N/M	(0.5)	N/M
Corporate	(73.4)	(42.2)	(73.9)%	(3.8)	(64.9)%
Molson Coors Consolidated Total	$120.6	$152.1	(20.7)%	$ (10.9)	(13.5)%

N/M = Not meaningful

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(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

Non-GAAP: Underlying Pretax Income (In millions)

	Three Months Ended				
	December 31, 2014	December 31, 2013(1)	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)
MillerCoors (42% portion)	$ 90.0	$102.7	(12.4)%	$ --	(12.4)%
Canada	76.2	88.7	(14.1)%	(4.7)	(8.8)%
Europe	38.3	44.9	(14.7)%	(2.1)	(10.0)%
MCI	(3.9)	(5.8)	32.8%	(0.5)	41.4%
Corporate	(65.8)	(59.8)	(10.0)%	(3.8)	(3.7)%
Molson Coors Consolidated Total	$134.8	$170.7	(21.0)%	$ (11.1)	(14.5)%

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

U.S. GAAP: Net Sales (In millions)

Twelve Months Ended				
December 31, 2014	December 31, 2013	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)

Canada	$1,793.9	$1,943.8	(7.7)%	$(125.9)	(1.2)%
Europe	2,200.3	2,128.3	3.4%	57.7	0.7%
MCI	156.3	137.6	13.6%	(5.3)	17.4%
Corporate	1.1	1.2	(8.3)%	--	(8.3)%
Eliminations(1)	(5.3)	(4.8)	(10.4)%	--	(10.4)%
Molson Coors Consolidated Total	$4,146.3	$4,206.1	(1.4)%	$ (73.5)	0.3%

(1) Reflects intercompany sales from Europe to MCI, and the offset is included within MCI cost of goods sold. These amounts are eliminated in the consolidated totals.

U.S. GAAP: Pretax Income (In millions)

	Twelve Months Ended				
	December 31, 2014	December 31, 2013	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)
MillerCoors (42% portion)	$561.8	$539.0	4.2%	$ --	4.2%
Canada	406.8	363.3	12.0%	(22.9)	18.3%
Europe	(111.9)	34.3	N/M	8.8	N/M
MCI	(13.3)	(11.8)	(12.7)%	(0.6)	(7.6)%
Corporate	(257.1)	(270.3)	4.9%	(6.5)	7.3%
Molson Coors Consolidated Total	$586.3	$654.5	(10.4)%	$ (21.2)	(7.2)%

N/M = Not meaningful

Non-GAAP: Underlying Pretax Income (In millions)

	Twelve Months Ended				
	December 31, 2014	December 31, 2013	Reported % Increase (Decrease)	Foreign Exchange Impact ($)	Constant Currency % Increase (Decrease)
MillerCoors (42% portion)	$562.4	$547.3	2.8%	$ --	2.8%
Canada	365.0	392.8	(7.1)%	(18.0)	(2.5)%
Europe	242.7	213.3	13.8%	7.7	10.2%
MCI	(13.3)	(16.2)	17.9%	(0.6)	21.6%
Corporate	(253.1)	(271.8)	6.9%	(6.9)	9.4%

Molson Coors

Consolidated Total	$903.7	$865.4	4.4%	$ (17.8)	6.5%

Constant currency is a non-GAAP measure utilized by Molson Coors management to measure performance, excluding the impact of foreign currency movements. As we operate in various foreign countries where the local currency may strengthen or weaken significantly versus the U.S. dollar or other currencies used in operations, we utilize a constant currency measure as an additional metric to evaluate the underlying performance of each business without consideration of foreign currency movements. This information is non-GAAP and should be viewed as a supplement to (not a substitute for) our reported results of operations under U.S. GAAP. We calculate the impact of foreign exchange on net sales, pretax income and non-GAAP underlying pretax income using the following steps:

1. Multiply our current period local currency operating results (that also include the impact of the comparable prior-period currency hedging activities) by the weighted average foreign exchange rates used to translate the financial statements in the comparable prior year period. The result is the current-period operating results in U.S. dollars, as if foreign exchange rates had not changed from the prior-year period.

2. Subtract the result in #1 from the unadjusted current-period reported operating result in U.S. dollars (U.S. GAAP measure). This difference reflects the impact of foreign currency translational gains/losses included in the current-period results.

3. Determine the amount of actual non-operating foreign currency gains/losses realized as a result of hedging activities and activities transacted in a currency other than the functional currency of each legal entity.

4. Add the results of steps 2 and 3 above. This sum equals the total impact of foreign currency translational gains/losses and realized gains/losses from foreign currency transactions. This is the value shown in the "Foreign Exchange $ Impact" column within the table above.

Worldwide Beer Volume

Molson Coors Brewing Company and Subsidiaries
Table 10: Worldwide Beer Volume
(In millions of hectoliters) (Unaudited)

	Three Months Ended			Twelve Months Ended		
	December 31, 2014	December 31, 2013	% Change	December 31, 2014	December 31, 2013	% Change
Financial Volume	7.118	7.059	0.8%	30.445	30.521	(0.2)%
Royalty Volume	0.389	0.319	21.9%	1.580	1.353	16.8%
Owned Volume	7.507	7.378	1.7%	32.025	31.874	0.5%
Proportionate Share of Equity Investment Sales-to-Retail(1)	6.530	6.701	(2.6)%	26.939	27.864	(3.3)%
Total Worldwide Beer Volume	14.037	14.079	(0.3)%	58.964	59.738	(1.3)%

(1) Reflects the addition of Molson Coors Brewing Company's proportionate share of equity method investments sales to retail for the periods presented.

U.S. GAAP Measures

Molson Coors Brewing Company and Subsidiaries

Table 11: Consolidated Statements of Operations
($ In millions, except per share data) (Unaudited)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013(1)	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Volume in hectoliters	7.118	7.059	30.445	30.521
Sales	$1,413.3	$1,489.7	$5,927.5	$5,999.6
Excise taxes	(439.5)	(461.3)	(1,781.2)	(1,793.5)
Net sales	973.8	1,028.4	4,146.3	4,206.1
Cost of goods sold	(620.2)	(644.4)	(2,493.3)	(2,545.6)
Gross profit	353.6	384.0	1,653.0	1,660.5

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Marketing, general and administrative expenses	(282.6)	(289.6)	(1,163.9)	(1,193.8)
Special items, net	(6.6)	(34.2)	(324.4)	(200.0)
Equity income in MillerCoors	90.0	100.7	561.8	539.0
Operating income (loss)	154.4	160.9	726.5	805.7
Other income (expense), net				
Interest expense	(33.6)	(39.0)	(145.0)	(183.8)
Interest income	2.8	2.8	11.3	13.7
Other income (expense), net	(3.0)	27.4	(6.5)	18.9
Total other income (expense), net	(33.8)	(8.8)	(140.2)	(151.2)
Income (loss) from continuing operations before income taxes	120.6	152.1	586.3	654.5
Income tax benefit (expense)	(27.1)	(14.8)	(69.0)	(84.0)
Net Income (loss) from continuing operations	93.5	137.3	517.3	570.5
Income (loss) from discontinued operations, net of tax	0.9	0.3	0.5	2.0
Net income (loss) including noncontrolling interests	94.4	137.6	517.8	572.5
Net (income) loss attributable to noncontrolling				

interests	(0.3)	(0.4)	(3.8)	(5.2)
Net income (loss) attributable to MCBC	$ 94.1	$ 137.2	$ 514.0	$ 567.3
Basic net income (loss) attributable to MCBC per share:				
From continuing operations	$ 0.50	$ 0.74	$ 2.78	$ 3.09
From discontinued operations	--	--	--	0.01
Basic net income per share	$ 0.50	$ 0.74	$ 2.78	$ 3.10
Diluted net income (loss) attributable to MCBC per share:				
From continuing operations	$ 0.50	$ 0.74	$ 2.76	$ 3.07
From discontinued operations	--	--	--	0.01
Diluted net income per share	$ 0.50	$ 0.74	$ 2.76	$ 3.08
Weighted average shares - basic	185.3	183.9	184.9	183.0
Weighted average shares - diluted	186.5	185.0	186.1	184.2
Dividends per share	$ 0.37	$ 0.32	$ 1.48	$ 1.28
Amounts attributable to MCBC				
Net income (loss) from continuing operations, net of tax	$ 93.2	$ 136.9	$ 513.5	$ 565.3
Income (loss) from discontinued operations, net of tax	0.9	0.3	0.5	2.0
Net income (loss) attributable to MCBC	$ 94.1	$ 137.2	$ 514.0	$ 567.3

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

Molson Coors Brewing Company and Subsidiaries
Table 12: Canada Segment Results of Operations
($ In millions) (Unaudited)

	Three Months Ended	Twelve Months Ended
	December	

	December 31, 2014	December 31, 2013(1)	December 31, 2014	December 31, 2013
Volume in hectoliters	1.947	2.015	8.075	8.332
Sales	$ 561.9	$ 614.5	$2,363.4	$2,575.1
Excise taxes	(138.8)	(151.2)	(569.5)	(631.3)
Net sales	423.1	463.3	1,793.9	1,943.8
Cost of goods sold	(252.8)	(264.5)	(1,021.6)	(1,104.3)
Gross profit	170.3	198.8	772.3	839.5
Marketing, general and administrative expenses	(95.7)	(111.4)	(412.5)	(448.0)
Special items, net	--	(26.0)	41.8	(30.7)
Operating income (loss)	74.6	61.4	401.6	360.8
Other income (expense), net	1.6	1.3	5.2	2.5
Income (loss) from continuing operations before income taxes	$ 76.2	$ 62.7	$ 406.8	$ 363.3

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

Molson Coors Brewing Company and Subsidiaries
Table 13: Europe Results of Operations
($ In millions) (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2014	December 31, 2013(1)	December 31, 2014	December 31, 2013
Volume in hectoliters(2)	4.860	4.773	21.083	21.146
Sales(2)	$809.6	$831.8	$3,384.1	$3,265.4
Excise taxes	(295.0)	(304.0)	(1,183.8)	(1,137.1)
Net sales(2)	514.6	527.8	2,200.3	2,128.3
Cost of goods sold	(338.7)	(355.6)	(1,375.8)	(1,357.5)
Gross profit	175.9	172.2	824.5	770.8
Marketing, general and administrative expenses	(138.1)	(132.7)	(573.1)	(569.5)
Special items, net	(6.6)	(12.8)	(365.9)	(172.4)

Operating income (loss)	31.2	26.7	(114.5)	28.9
Interest income, net	1.0	1.3	4.4	4.9
Other income (expense), net	(0.5)	3.1	(1.8)	0.5
Income (loss) from continuing operations before income taxes	$ 31.7	$ 31.1	$ (111.9)	$ 34.3

(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(2) Gross segment sales include intercompany sales to MCI consisting of $1.1 million of net sales and 0.011 million hectoliters and $5.3 million of net sales and 0.057 million hectoliters for the three and twelve months ended December 31, 2014, respectively. Gross segment sales include intercompany sales to MCI consisting of $1.2 million of net sales and 0.014 million hectoliters and 4.8 million of net sales and 0.066 million hectoliters for the three and twelve months ended December 31, 2013, respectively. The offset is included within MCI cost of goods sold. These amounts are eliminated in the consolidated totals.

Molson Coors Brewing Company and Subsidiaries
Table 14: Molson Coors International Results of Operations
($ In millions) (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2014	December 31, 2013(1)	December 31, 2014	December 31, 2013
Volume in hectoliters	0.322	0.285	1.344	1.109
Sales	$ 42.7	$ 44.3	$184.2	$162.7
Excise taxes	(5.7)	(6.1)	(27.9)	(25.1)
Net sales	37.0	38.2	156.3	137.6
Cost of goods sold(2)	(22.3)	(23.6)	(96.5)	(85.0)
Gross profit	14.7	14.6	59.8	52.6
Marketing, general and administrative expenses	(18.6)	(20.5)	(73.1)	(68.9)
Special items, net	--	5.6	--	4.4
Operating income (loss)	(3.9)	(0.3)	(13.3)	(11.9)
Other income (expense), net	--	0.1	--	0.1

Income (loss) from continuing operations before income taxes	$ (3.9)	$ (0.2)	$(13.3)	$(11.8)

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(1) Amounts have been adjusted to reflect the change in interim accounting for advertising expenses.

(2) Reflects gross segment amounts, and includes intercompany cost of goods sold from Europe of $1.1 million and $5.3 million for the three and twelve months ended December 31, 2014, respectively, and $1.2 million and $4.8 million for the three and twelve months ended December 31, 2013, respectively. The offset is included within Europe net sales. These amounts are eliminated in the consolidated totals.

Molson Coors Brewing Company and Subsidiaries
Table 15: Corporate Results of Operations
($ In millions) (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Volume in hectoliters	--	--	--	--
Sales	$ 0.2	$ 0.3	$ 1.1	$ 1.2
Excise taxes	--	--	--	--
Net sales	0.2	0.3	1.1	1.2
Cost of goods sold	(7.5)	(1.9)	(4.7)	(3.6)
Gross profit	(7.3)	(1.6)	(3.6)	(2.4)
Marketing, general and administrative expenses	(30.2)	(25.0)	(105.2)	(107.4)
Special items, net	--	(1.0)	(0.3)	(1.3)
Operating income (loss)	(37.5)	(27.6)	(109.1)	(111.1)
Interest expense, net	(31.8)	(37.5)	(138.1)	(175.0)
Other income (expense), net	(4.1)	22.9	(9.9)	15.8
Income (loss) from continuing operations				

before income taxes	$(73.4)	$(42.2)	$(257.1)	$(270.3)

MillerCoors LLC (1)
Table 16: Results of Operations
($ In millions) (Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Volume in hectoliters(2)	16.559	17.080	72.701	74.274
Sales	$2,039.1	$2,068.1	$8,990.4	$8,969.8
Excise taxes	(257.3)	(265.6)	(1,142.0)	(1,169.0)
Net sales	1,781.8	1,802.5	7,848.4	7,800.8
Cost of goods sold	(1,129.6)	(1,130.9)	(4,743.8)	(4,723.7)
Gross profit	652.2	671.6	3,104.6	3,077.1
Marketing, general and administrative expenses	(434.1)	(426.3)	(1,755.9)	(1,769.9)
Special items, net	--	(4.8)	(1.4)	(19.8)
Operating income	218.1	240.5	1,347.3	1,287.4
Interest income (expense), net	(0.1)	(0.2)	(1.1)	(1.6)
Other income (expense), net	1.2	0.4	5.5	2.0
Income before income taxes	219.2	240.7	1,351.7	1,287.8
Income tax expense	(1.5)	(0.8)	(6.1)	(3.9)
Net income	217.7	239.9	1,345.6	1,283.9
Less: Net income attributable to noncontrolling interests	(4.4)	(2.8)	(19.4)	(13.4)
Net income attributable to MillerCoors	$ 213.3	$ 237.1	$1,326.2	$1,270.5

(1) Economic ownership of MillerCoors is 58% held by SABMiller and 42% held by Molson Coors. See Table 8 for a reconciliation from Net Income Attributable to MillerCoors to Molson Coors Equity Income in MillerCoors, and to U.S. Segment Underlying Pretax Income (Non-GAAP).

(2) Includes contract brewing and company-owned-distributor sales which are

excluded from our worldwide beer volume calculation.

Molson Coors Brewing Company and Subsidiaries Table 17: Consolidated Balance Sheets ($ In millions, except par value) (Unaudited)

	As of	
	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 624.6	$ 442.3
Accounts and other receivables:		
Trade, less allowance for doubtful accounts of $11.5 and $13.6, respectively	488.9	572.8
Affiliate receivables	38.8	30.8
Other receivables, less allowance for doubtful accounts of $0.8 and $1.1, respectively	94.0	124.4
Inventories:		
Finished	135.3	133.2
In process	20.7	23.3
Raw materials	34.5	36.9
Packaging materials	11.7	11.9
Total inventories	202.2	205.3
Maintenance and operating supplies, less allowance for obsolete supplies of $5.0 and $6.8, respectively	24.0	29.6
Other current assets	79.2	82.1
Deferred tax assets	27.2	50.4
Total current assets	1,578.9	1,537.7
Properties, less accumulated depreciation of $1,343.2 and $1,458.7, respectively	1,798.0	1,970.1
Goodwill	2,191.6	2,418.7
Other intangibles, less accumulated amortization of $359.6 and $513.7, respectively	5,755.8	6,825.1
Investment in MillerCoors	2,388.6	2,506.5
Deferred tax assets	58.2	38.3
Notes receivable, less allowance for doubtful accounts of $1.6 and $2.8, respectively	21.6	23.6
Other assets	203.6	260.1
Total assets	$ 13,996.3	$ 15,580.1
Liabilities and equity		
Current liabilities:		
Accounts payable and other current liabilities		

(includes affiliate payable amounts of $21.4 and $22.8, respectively)	$ 1,305.0	$ 1,429.6
Deferred tax liabilities	164.8	138.1
Current portion of long-term debt and short-term borrowings	849.4	586.9
Discontinued operations	6.1	6.8
Total current liabilities	2,325.3	2,161.4
Long-term debt	2,337.1	3,213.0
Pension and post-retirement benefits	542.9	462.6
Deferred tax liabilities	784.3	911.4
Unrecognized tax benefits	25.4	107.1
Other liabilities	79.7	77.2
Discontinued operations	15.5	17.3
Total liabilities	6,110.2	6,950.0
Molson Coors Brewing Company stockholders' equity		
Capital stock:		
Preferred stock, no par value (authorized: 25.0 shares; none issued)	--	--
Class A common stock, $0.01 par value (authorized: 500.0 shares; issued and outstanding: 2.6 shares and 2.6 shares, respectively)	--	--
Class B common stock, $0.01 par value (authorized: 500.0 shares; issued: 169.9 shares and 167.2 shares, respectively)	1.7	1.7
Class A exchangeable shares, no par value (issued and outstanding: 2.9 shares and 2.9 shares, respectively)	108.5	108.5
Class B exchangeable shares, no par value (issued and outstanding: 17.6 shares and 19.0 shares, respectively)	661.5	714.1
Paid-in capital	3,871.2	3,747.6
Retained earnings	4,439.9	4,199.5
Accumulated other comprehensive income (loss)	(898.4)	154.9
Class B common stock held in treasury at cost (7.5 shares and 7.5 shares,		

respectively)	(321.1)	(321.1)
Total Molson Coors Brewing Company stockholders' equity	7,863.3	8,605.2
Noncontrolling interests	22.8	24.9
Total equity	7,886.1	8,630.1

Total liabilities and equity	$ 13,996.3	$ 15,580.1

Molson Coors Brewing Company and Subsidiaries
Table 18: Consolidated Statements of Cash Flows
($ In millions) (Unaudited)

	Twelve Months Ended	
	December 31, 2014	December 31, 2013
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	$ 517.8	$ 572.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	313.0	320.5
Amortization of debt issuance costs and discounts	7.0	20.3
Share-based compensation	23.5	19.5
Loss (gain) on sale or impairment of properties and other assets, net	375.5	164.0
Deferred income taxes	0.2	(17.6)
Equity income in MillerCoors	(561.8)	(539.0)
Distributions from MillerCoors	561.8	539.0
Equity in net (income) loss of other unconsolidated affiliates	1.7	(19.1)
Distributions from other unconsolidated affiliates	15.4	13.0
Excess tax benefits from share-based compensation	(8.2)	(7.7)
Unrealized (gain) loss on foreign currency fluctuations and derivative instruments, net	12.2	8.4

Change in current assets and liabilities (net of assets acquired and liabilities assumed in business combinations) and other:		
Receivables	22.3	70.4
Inventories	(16.5)	4.2
Payables and other current liabilities	52.7	178.6
Other assets and other liabilities	(43.5)	(156.8)
(Gain) loss from discontinued operations	(0.5)	(2.0)
	------------------	------------------
Net cash provided by operating activities	1,272.6	1,168.2
	------------------	------------------
Cash flows from investing activities:		
Additions to properties	(259.5)	(293.9)
Proceeds from sales of properties and other assets	8.8	53.6
Investment in MillerCoors	(1,388.1)	(1,186.5)
Return of capital from MillerCoors	1,382.5	1,146.0
Return of capital from an unconsolidated affiliate	15.8	--
Loan repayments	11.0	10.6
Loan advances	(9.9)	(6.8)
	------------------	------------------
Net cash used in investing activities	(239.4)	(277.0)
	------------------	------------------
Cash flows from financing activities:		
Exercise of stock options under equity compensation plans	44.4	88.8
Excess tax benefits from share-based compensation	8.2	7.7
Dividends paid	(273.6)	(234.6)
Dividends paid to noncontrolling interest holders	(4.1)	(4.1)
Payments for purchase of noncontrolling interest	(0.4)	(0.7)
Debt issuance costs	(1.9)	(0.4)
Payments on long-term debt and		

capital lease obligations	(63.0)	(1,317.0)
Proceeds from short-term borrowings	4.8	15.0
Payments on short-term borrowings	(11.4)	(15.2)
Proceeds from settlement of derivative instruments	--	6.6
Payments on settlement of derivative instruments	(65.2)	(119.4)
Net proceeds from (payments on) revolving credit facilities and commercial paper	(513.9)	507.4
Change in overdraft balances and other	74.1	6.7
Net cash provided by (used in) financing activities	(802.0)	(1,059.2)
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	231.2	(168.0)
Effect of foreign exchange rate changes on cash and cash equivalents	(48.9)	(13.7)
Balance at beginning of year	442.3	624.0
Balance at end of year	$ 624.6	$ 442.3

CONTACT: Molson Coors
News Media

Colin Wheeler, 303-927-2443

or

Investor Relations

Dave Dunnewald, 303-927-2334

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Energy Prices and Economic Data Lift Stocks

By Vito J. Racanelli
2,043 字
2015 年 2 月 9 日
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The market's wild moods continue, as bulls returned in force after being routed from the field the previous week. Stocks soared 3%, recovering all of the lost ground, on a rally fuelled by rising energy prices and robust U.S. economic data.

Oil rose 7% to $51.69 per barrel, and is up over 13% in the past two weeks. Although the European Central Bank took Greek bonds off its list of acceptable collateral, talks are ongoing about easing the country's overwhelming debt problems. U.S. fourth-quarter earnings reports are meeting -- albeit lowered -- expectations.

What the state of global growth means to the Federal Reserve and when it will begin hiking interest rates -- expected in midsummer -- remain hotly contested. Action in 10-year U.S. Treasury notes suggests sooner rather than later, with the yields jumping 0.26, to 1.94%, the largest one-week increase since June 2013. (Bond prices move inversely to yields.)

Last week, the Dow Jones Industrial Average jumped 659 points, or 3.8%, to 17,824.29. The Standard & Poor's 500 index tacked on 3%, or 61, to 2055.47. The Nasdaq Composite rose 109, or 2.4%, to 4744.40.

Oil has become something of a Rorschach test for the global economy, says David Donabedian, chief investment officer at Atlantic Trust Private Wealth Management. The market is interpreting the energy rebound as a positive indicator for world growth.

A "nice stable level of crude gives investors confidence," adds Randy Frederick, managing director of trading and derivatives at Charles Schwab. "The jobs data was universally positive, too."

The Labor Department said on Friday that the unemployment rate in January rose to 5.7% from 5.6% on higher participation, but the details below the headline, such as payrolls and wage growth, were strong.

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Is it cheap enough to buy? Not yet -- though Lauren has little debt and raised the dividend 11% -- given the near-term issues. In the fickle fashion industry, waiting to see evidence of a turn -- and giving up some of the initial stock recovery -- is the better part of valor.

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In the quarter, revenue -- the great majority of which comes from advisory work -- rose 42%, to $322 million, helped by about $44.7 million from Evercore ISI. Operating margins were stable. For 2014, revenue jumped 20%, to $916 million, while net income from continuing operations advanced 44%, to $107 million, and diluted earnings per share, to $2.08 from $1.46.

While the ISI contribution covers only two months of the quarter -- the deal closed on Oct. 31 -- it suggests that Evercore is getting "good traction" from the transaction, says Marshall Kaplan, who runs Morgan Stanley's Fundamental Equity Advisors, which owns a stake in Evercore. The firm will drive costs down at ISI, he says, and the company expects to move ISI's 6% to 10% operating margins closer to over 20% on the advisory side. That, too, should help earnings per share improve, he adds.

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One potential area of new opportunity is in the oil patch, where the plunge in many energy shares could lead to increased M&A and restructuring activity.

At $50.99, Evercore trades at a price/earnings ratio of 15.7 times consensus analyst EPS estimates of $3.25 this year, near the low end of its historical range, excluding the financial-crisis years. O'Donnell says that with a decent M&A environment, Evercore could earn nearly $4 a share next year, propelling its stock close to its old high of $60. "It's not a stretch to see it in the mid-$60s within 12 to 18 months," he adds.

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In the fiscal first quarter, sales fell to $596.5 million from $599.4 million a year earlier. Net earnings dropped to $56 million, or 40 cents -- on fewer shares outstanding -- from $61.6 million, or 41 cents.

The dollar shouldn't be ignored, but the company has a number of attractions that could appeal to the long-term investor, Leclerc adds. With plants around the world that buy and sell in local currencies, it has a partial natural hedge against the buck's rise. Lower energy prices are a big help, too. This is a "high-quality, predictable company with a low-risk business," he says. It sells to a diverse universe of customers, from aerospace and defense to semiconductor product makers. "The great thing about filters is that even if the economy stinks, they always have to be replaced," remarks Leclerc.

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If the world economy does pick up, Leclerc says the stock can go back to the mid-$40s. Five years down the road, he contends, Donaldson could earn $4 a share and the stock would be worth about $80.

The dollar pressure probably isn't going away soon, and Leclerc expects fiscal second-quarter results to be soft when the company reports them on Feb. 24. The shares could go down still more then, but that might produce a better entry point for a stock that, longer term, will probably move back past its old highs.

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DJTransportation	8932.47	+283.15	+3.27
DJUtilities	613.69	-23.51	-3.69
DJ65Stocks	6423.07	+150.55	+2.40
DJUSMarket	517.61	+15.36	+3.06
NYSEComp.	10847.51	+310.29	+2.94
NYSEMKTComp.	2452.29	+20.24	+0.83
S&P500	2055.47	+60.48	+3.03
S&PMidCap	1476.89	+41.79	+2.91
S&PSmallCap	696.85	+26.47	+3.95
Nasdaq	4744.40	+109.16	+2.35
ValueLine(arith.)	4712.88	+166.27	+3.66
Russell2000	1205.46	+40.07	+3.44
DJUSTSMFloat	21448.23	+639.78	+3.07

	Last Week	Week Earlier
NYSE		
Advances	2,262	1,216
Declines	1,002	2,032
Unchanged	32	38
NewHighs	486	616
NewLows	111	245
AvDailyVol(mil)	4,127.9	3,859.3
Dollar		
(Finexspotindex)	94.65	94.85
T-Bond		
(CBTnearbyfutures)	147-210	151-090
Crude Oil		
(NYMlightsweetcrude)	51.69	48.24
Inflation KR-CRB		
(FuturesPriceIndex)	224.85	218.84

Gold
(CMXnearbyfutures)   1233.90   1278.50

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文件 B000000020150207eb2900011

Airlines Tumble and It’s Not Just About Oil Prices
Barron's Blogs, 2015 年 2 月 9 日 16:35, 462 字, By Ben Levisohn, (英文)
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文件 WCBBE00020150209eb290015p

DOW JONES
NEWSWIRES

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507 字
2015 年 2 月 9 日 16:35
Dow Jones Institutional News
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英文

With oil prices rising today, shares of American Airlines (AAL), Southwest Airlines (LUV), Delta Air Lines (DAL), and United Continental (UAL) are tumbling. But there's more to the airline trade than just fuel prices, as Southwest and American released traffic metrics and UBS weighs in on United Continental.

First up, American Airlines, which reported disappointing revenue metrics this morning. Cowen's Helane Becker and team take a look at the numbers--and come away feeling bullish:

American reported January traffic and updated 1Q15 guidance. Management reiterated the PRASM range of down 2%-4%, but lowered pre-tax margins to 12%-14% from 13%-15%, as a result of higher jet fuel costs. The shares have been weak this year due to volatile jet fuel prices. We believe the current guidance was anticipated given the shares' YTD underperformance...

We continue to believe there are several catalysts that will move the shares higher in 2015. American will continue to work towards gaining their single operating certificate in mid-2015, which will enable the company to merge its operations with US Airways and rationalize capacity throughout the system. American is a $35 Bn market-cap company, making it one of the largest companies not included in the S&P500. American has hit all the criteria to be added and we believe it is a good candidate to join the S&P500 when a spot opens. Investor sentiment has been somewhat mixed, however the two catalysts above will be difficult for the market to ignore.

Southwest Airlines also reported traffic metrics today, and said that its PRASM dropped 1%.

UBS analyst Darryl Genovesi, meanwhile, met with United Continental's management. His takeaways:

United Continental expressed confidence in ability to close 600 bps pre-tax margin gap vs. American Airlines/Delta Air Llines through PRASM outperformance and productivity initiatives that it laid out at Nov'13 investor day. United Continental estimates that it currently generates a unit revenue premium to industry across all trip lengths, and sees a significant opportunity to grow premium through hub re-banking, Economy Plus / FC upselling, and improvements to revenue management process. While United Continental expects unit costs to remain above peers' (stage-length adjusted) on higher airport operating costs and higher fuel input costs at its West Coast operations, it thinks unit revenue outperformance can compensate.

Genovesi rates United Continental a Buy with an $83 price target.

Shares of United Continental have dropped 4.5% to $64.55 at 11:25 a.m., while American Airlines has fallen 3.4% to $46.53, Southwest Airlines has declined 2.1% to $43.22, and Delta Air Lines is off 3% at $44.14.

More at Barron's Stocks to Watch blog, http://blogs.barrons.com/stockstowatchtoday/

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(END) Dow Jones Newswires

February 09, 2015 11:35 ET (16:35 GMT)

文件 DJDN000020150209eb29002lw

DOW JONES
NEWSWIRES

Stocks The Trader: Energy Prices And Economic Data Lift Stocks -- Barron's

2,146 字
2015 年 2 月 7 日 05:08
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 2/9/15)
By Vito J. Racanelli

The market's wild moods continue, as bulls returned in force after being routed from the field the previous week. Stocks soared 3%, recovering all of the lost ground, on a rally fuelled by rising energy prices and robust U.S. economic data.

Oil rose 7% to $51.69 per barrel, and is up over 13% in the past two weeks. Although the European Central Bank took Greek bonds off its list of acceptable collateral, talks are ongoing about easing the country's overwhelming debt problems. U.S. fourth-quarter earnings reports are meeting -- albeit lowered -- expectations.

What the state of global growth means to the Federal Reserve and when it will begin hiking interest rates -- expected in midsummer -- remain hotly contested. Action in 10-year U.S. Treasury notes suggests sooner rather than later, with the yields jumping 0.26, to 1.94%, the largest one-week increase since June 2013. (Bond prices move inversely to yields.)

Last week, the Dow Jones Industrial Average jumped 659 points, or 3.8%, to 17,824.29. The Standard & Poor's 500 index tacked on 3%, or 61, to 2055.47. The Nasdaq Composite rose 109, or 2.4%, to 4744.40.

Oil has become something of a Rorschach test for the global economy, says David Donabedian, chief investment officer at Atlantic Trust Private Wealth Management. The market is interpreting the energy rebound as a positive indicator for world growth.

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7 Feb 2015 00:08 ET Stocks The Trader: Energy Prices And Economic -2-

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NYSEComp.	10847.51	+310.29	+2.94
NYSEMKTComp.	2452.29	+20.24	+0.83
S&P500	2055.47	+60.48	+3.03
S&PMidCap	1476.89	+41.79	+2.91
S&PSmallCap	696.85	+26.47	+3.95
Nasdaq	4744.40	+109.16	+2.35
ValueLine(arith.)	4712.88	+166.27	+3.66
Russell2000	1205.46	+40.07	+3.44
DJUSTSMFloat	21448.23	+639.78	+3.07

	Last Week	Week Earlier
NYSE		
Advances	2,262	1,216
Declines	1,002	2,032
Unchanged	32	38
NewHighs	486	616
NewLows	111	245
AvDailyVol(mil)	4,127.9	3,859.3
Dollar		
(Finexspotindex)	94.65	94.85
T-Bond		
(CBTnearbyfutures)	147-210	151-090
Crude Oil		
(NYMlightsweetcrude)	51.69	48.24

Inflation KR-CRB		
(FuturesPriceIndex)	224.85	218.84
Gold		
(CMXnearbyfutures)	1233.90	1278.50

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(END) Dow Jones Newswires

February 07, 2015 00:08 ET (05:08 GMT)

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Energy Stocks Won't Always Follow the Price of Oil
Barron's Blogs, 2015 年 2 月 6 日 19:48, 383 字, By Ben Levisohn, (英文)
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文件 WCBBE00020150206eb26002p9

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By Ben Levisohn
445 字
2015 年 2 月 6 日 19:48
Dow Jones Institutional News
DJDN
英文

Sure, it feels like energy stocks are tied to oil prices with a string right now, what with the Energy Select Sector SPDR (XLE) seemingly tied to the price of crude by a string. But that's not always the case, says Deutsche Bank's Stephen Richardson and team. They explain:

While the high correlation between energy commodities and the equities is well understood by the market, this correlation shifts significantly over time. We spent time looking at this relationship and broke out periods of rising and falling commodity prices (peaks and troughs) to determine the shifting relationship between the stocks (S&P500 energy) and the commodity (NYMEX WTI 12-month strip). On a 30 day rolling correlation basis, the overall average observed for 1989-2014 is 0.43. Of note, before 2005, correlation between the stocks and the commodity was below average at 0.3 (a lower volatility period), while post-2005 average correlations rose to 0.6. While this analysis is based on the broader S&P500 energy subsector, we see a similar relationship for the E&Ps (but with a shorter historical dataset).

What does that mean practically? Richardson looks at how oil and energy stocks traded during previous selloffs:

In late-2006, the equities bottomed in September, 79 trading days before the commodity and continued to outperform until early February (following a pullback in the stocks around year end), for a total of 105 trading days of outperformance. By late February, the 12 month strip played catch up and performance converges.

In late-2011, the stocks and the commodity troughed co- incidentally within a day of each other and tracked each other briefly before the equities outperformed Interestingly, this mini-cycle bottomed with a significant M&A uptick (Statoil (STO)/ Statoil Exploration (BEXP), Kinder Morgan (KMI)/ El Paso (EP)). The equities posted 20 trading days of outperformance before performance converges and the 12-month strip outperformed.

WTI crude, the U.S. oil benchmark, has gained 1.7%, while the Energy Select Sector SPDR has ticked up 0.1% to $79.86, Statoil has risen 0.7% to $18.58, and Kinder Morgan is off 0.1% at $41.43.

More at Barron's Stocks to Watch blog,
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(END) Dow Jones Newswires

February 06, 2015 14:48 ET (19:48 GMT)

文件 DJDN000020150206eb26003hp

BARRON'S

MARKET WEEK
Stocks --- The Trader: Stocks Fall Nearly 3% on Fears of QE's Limits

By Vito J. Racanelli
2,030 字
2015 年 2 月 2 日
Barron's
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英文

Stocks were spanked last week, falling nearly 3% amid low trading volumes. Ostensibly, investors were disappointed by data on U.S. economic growth, but the deeper issue is a nascent feeling that the worldwide quantitative easing (QE) cycle has reached the limits of encouraging growth.

This thinking is sustained by tumbling oil prices -- which rose 6% last week to $48.24 per barrel but have fallen for seven consecutive months. Where once that plunge was welcome, investors now see it as a barometer of weak global gross-domestic-product (GDP) growth in 2014. The ongoing Greek drama over the country's huge fiscal imbalances is also fueling uncertainty and keeping pressure on stock prices.

Friday, the Commerce Department said that U.S. GDP rose 2.6% last quarter, below expectations and far below the 4.6% to 5% seen in the previous two quarters. Strong fourth-quarter earnings reports from marquee names weren't enough to keep spirits up.

The Dow Jones Industrial Average lost more than 500 points or 2.9% on the week, to 17,164.95. The Standard & Poor's 500 index dropped 2.8%, or 57, to 1994.99. The Nasdaq Composite gave up 123 points, or 2.5%, to 4635.24.

Jason DeSena Trennert, managing partner at Strategas Research Partners, says the long-term benefits of lower crude will outweigh the negatives. For consumers in the U.S. as well as some emerging-market countries like China and India, "It's very positive," he says.

Nevertheless, he adds, investors currently have a more jaundiced view of the drop, preferring to see it as a litmus test of global growth and as evidence of the limits of QE's usefulness. (Central-bank QE policy moves support equities by depressing bond yields, making stocks more attractive.)

John Brady, a managing director at broker R.J. O'Brien, concurs, adding that in Europe the stimulative effect of the European Central Bank's QE program remains an open question. The Continental bank system hasn't recovered from the crisis as well as American banks, and the fiscal and political strife is rising, he says. That makes stocks "hard to price." Volatility will stay elevated, if not get worse, he adds. DeSena Trennert adds that the QE anxiety and accompanying volatility will probably continue until oil prices stabilize.

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But that could also be an opportunity. The valuation is much more attractive now, as the stock trades for 17.5 times the current-year consensus estimate of $6.35 a share, compared with an historical median P/E of 24.

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e-mail: vito.racanelli@barrons.com

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NYSEComp.	10537.23	-251.10	-2.33
NYSEMKTComp.	2432.05	-21.71	-0.88
S&P500	1994.99	-56.83	-2.77
S&PMidCap	1435.10	-20.69	-1.42
S&PSmallCap	670.38	-13.44	-1.97
Nasdaq	4635.24	-122.64	-2.58
ValueLine(arith.)	4546.61	-84.74	-1.83
Russell2000	1165.39	-23.54	-1.98
DJUSTSMFloat	20808.44	-543.87	-2.55

	Last Week	Week Earlier
NYSE		
Advances	1,216	2,083
Declines	2,032	1,152
Unchanged	38	49
NewHighs	616	516
NewLows	245	165

AvDailyVol(mil)	3,859.3	3,813.3
Dollar		
(Finexspotindex)	94.84	94.99
T-Bond		
(CBTnearbyfutures)	151-090	149-270
Crude Oil		
(NYMlightsweetcrude)	48.24	45.59
Inflation KR-CRB		
(FuturesPriceIndex)	218.84	216.61
Gold		
(CMXnearbyfutures)	1278.50	1292.60

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The Trader: Stocks Fall Nearly 3% On Fears Of QE's Limits -- Barron's

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(FROM BARRON'S 2/2/15)
By Vito J. Racanelli

Stocks were spanked last week, falling nearly 3% amid low trading volumes. Ostensibly, investors were disappointed by data on U.S. economic growth, but the deeper issue is a nascent feeling that the worldwide quantitative easing (QE) cycle has reached the limits of encouraging growth.

This thinking is sustained by tumbling oil prices -- which rose 6% last week to $48.24 per barrel but have fallen for seven consecutive months. Where once that plunge was welcome, investors now see it as a barometer of weak global gross-domestic-product (GDP) growth in 2014. The ongoing Greek drama over the country's huge fiscal imbalances is also fueling uncertainty and keeping pressure on stock prices.

Friday, the Commerce Department said that U.S. GDP rose 2.6% last quarter, below expectations and far below the 4.6% to 5% seen in the previous two quarters. Strong fourth-quarter earnings reports from marquee names weren't enough to keep spirits up.

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31 Jan 2015 00:08 ET The Trader: Stocks Fall Nearly 3% On Fears Of -2-

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Advances	1,216	2,083
Declines	2,032	1,152

Unchanged	38	49
NewHighs	616	516
NewLows	245	165
AvDailyVol(mil)	3,859.3	3,813.3
Dollar		
(Finexspotindex)	94.84	94.99
T-Bond		
(CBTnearbyfutures)	151-090	149-270
Crude Oil		
(NYMlightsweetcrude)	48.24	45.59
Inflation KR-CRB		
(FuturesPriceIndex)	218.84	216.61
Gold		
(CMXnearbyfutures)	1278.50	1292.60

(END) Dow Jones Newswires

January 31, 2015 00:08 ET (05:08 GMT)

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BARRON'S

MARKET WEEK

Stocks --- The Trader: QE Euro-Style Sends Dow Up 1% on Week

By Vito J. Racanelli
2,032 字
2015 年 1 月 26 日
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Thanks, Mario.

They're saying that in markets 'round the world, now that Mario Draghi, the European Central Bank's president, has announced a massive bond-buying program to help Europe shake off its economic malaise. The news spurred equity markets to rally, and helped U.S. stocks soar 1.6% in a holiday-shortened week.

The beaten-down energy sector recovered somewhat, with stocks gaining 2%, even though crude oil prices fell 7% last week, to a new low of $45.59 per barrel. Tech stocks rose 3%. With the widely anticipated ECB move out of the way, investors are likely to turn their focus to fourth-quarter earnings releases.

Draghi announced that the ECB will buy 60 billion euros ($67 billion) a month in assets, including government bonds, beginning in March and running until September 2016, at least. This quantitative easing program, which would expand the central bank's balance sheet by about 1.1 trillion euros, met market expectations. Central-bank QE policy moves support equities by depressing bond yields, making stocks more attractive.

The Dow Jones Industrial Average gained 161 points last week, or 1% to 17,672.60. The Standard & Poor's 500 index rose 1.6%, or 32, to 2,051.82. The Nasdaq Composite tacked on 124.70 points, or 2.7%, to 4757.88. The MSCI world stock market index jumped 2%.

The market was already up from the previous Friday in anticipation of ECB move, notes Robert Pavlik, chief market strategist at Banyan Partners, suggesting investors felt the early January drop had driven prices down to where the bull's "buy on dips" reflex kicked in again. There was no 10% correction in either 2014 or 2013.

Ron Weiner, CEO of RDM Financial Group, concurs. "The dips get bought. Maybe that's not the right reason to buy stocks," he says.

But with interest rates low and the market's valuation not extravagant, the Fed is getting what it wants: driving money into risk assets. Low rates will keep a floor under stock prices in general, he adds.

Traditionally riskier small caps rose about 1% last week. He notes that investors also snapped up other risky assets, such as the unprofitable Internet-software stocks ServiceNow (ticker: NOW), up 8%, and Splunk (SPLK), up 3%.

This week investors might hesitate and do some profit-taking ahead of the Federal Open Market Committee meeting that finishes up Wednesday, says J.J. Kinahan, TD Ameritrade's chief strategist. Although no new action is anticipated from the Fed, some might want to lighten up ahead, just in case, he says.

Now that the ECB has moved, a lot of long-anticipated monetary news "is on the table," says Peter Jankovskis, co-chief investment officer of Oakbrook Investments. After the fourth-quarter earnings season is over, the focus will return to the Fed, he says. "Through June, if we haven't seen the rate move, then we will want to see a stronger indication of when [U.S.] rates will go up."

Testing Investors

Shares of Laboratory Corp. of America Holdings (ticker: LH) have jumped nearly 20% since mid-November to $117.29, outperforming a market that has made little headway, despite volatile trading. Investors applauded LabCorp's $6.1 billion offer for Covance (CVD), announced Nov. 3 by the lab-testing and diagnostics giant. Covance, a contract research firm, runs new drug trials for big pharmaceutical companies. Like LabCorp, its business is generally steady and stable.

While the market's warm welcome incorporates the deal's strong points, it seemingly fails to discount execution risk. The acquisition is many times larger than LabCorp's typical $1 billion bolt-on transaction. It will also double the company's debt and will raise leverage sharply. Given LabCorp's relatively high valuation, even a minor execution miss could lead to a disproportionate share drop in 2015.

LabCorp is paying a rich 13.3 times Covance's annual earnings before interest, taxes, depreciation, and amortization (Ebitda) and says the acquisition will be accretive to earnings per share (EPS) this year. LabCorp also hopes to achieve annual cost synergies "in excess of $100 million."

Not every investor is enthusiastic. Darren Pollock, a money manager with Cheviot Value Management, says his firm sold its longstanding LabCorp stake following the announcement. Each company could add to the other's business, Pollock concedes, but the deal may be less about synergies than about taking a step away from LabCorp's slowing core business, he says.

The pricing pressure afflicting lab testing in the past two years hasn't abated, he says. Demanding customers such as Medicare and Medicaid, which with managed-care customers provide two-thirds of LabCorp's test volumes, look at lab testing as a place where costs can be cut, he says. The industry has endured 1% to 3% annual price erosion in the past couple of years.

The debt has gotten the attention of ratings agencies. Last Wednesday, Standard & Poor's downgraded LabCorp's credit rating to BBB- from BBB, reflecting higher leverage. Pro forma, the combined companies' debt will be nearly $7 billion and debt-to-Ebitda leverage will jump to more than four times from 2.7 times, says S&P analyst Shannan Murphy. A Moody's report last week said the higher leverage will leave LabCorp a "limited cushion" to absorb negative developments.

Carol Levenson, director of research at Gimme Credit, an independent bond-research boutique, notes that while benefits accrue from a more diversified customer mix, there is also the potential for greater cash-flow volatility from Covance's reliance on big pharma research and development spending. Management's resolve to reduce debt will be tested, she adds. LabCorp spent $1 billion in share repurchases in 2013, which made the difference between a 2% decline in EPS and a 2% rise, she adds.

Pollock says the acquisition changes the routine that LabCorp shareholders were accustomed to: a long history of strong free cash flow financing bolt-on acquisitions and share buybacks.

LabCorp's EPS growth in recent years has slowed to single-digit percentage gains from a double-digit rate a few years ago. Costs have shot up. In the first nine months of 2014, sales rose 3% to $4.5 billion but the cost of sales rose 6%, due partly to government payment reductions, while selling, general, and administrative expenses increased 5%. Net income fell to $392 million, or $4.53 per share, from $448 million or $4.81.

The shares don't look expensive on an absolute level, but at 16 times consensus analyst estimates of $7.37 this year, that's near historical highs and above the median price/earnings ratio of 13.5. LabCorp didn't respond to a request for comment.

When a business changes this dramatically, Pollock notes, there can be unforeseen execution risks and other surprises. That won't be welcomed by investors.

Turning Urban

Urban Outfitters (URBN), the specialty retailer, has had a tough time in the past 20 months. While two of its three main brands, Anthropologie and Free People, continue to grow robustly, the namesake and biggest brand, Urban Outfitters, which caters to young adults aged 18 to 35, has stumbled, with negative same-store sales comparisons with last year.

Adding insult to injury, the company's usually capable management team angered investors by issuing a profit warning in October, just weeks after holding a bullish investor day.

At $34.80, the shares have recovered some from recent lows, but remain nearly 22% below the high of $45 in May, 2013. The stock has significantly underperformed the market and retailing stocks, both up more than 20% in the same period.

This stock would be more attractive if Urban Outfitters could stabilize its namesake brand, and there is evidence this is beginning to happen. It is a quality company and the stock appears undervalued, says Andy Murray, a portfolio manager with Becker Capital, which has been buying shares.

Comps at the Urban Outfitters unit, 40% to 45% of total sales, steadily improved in fiscal 2015, which ends this month, from negative 12% in the fiscal first quarter to minus 10% in the second and negative 7% in the third quarter. Murray is buoyed by the Christmas season, as the company reported the Urban Outfitters' brand produced positive comps of 1% in November and December.

The Urban Outfitter problem, Murray says, has obscured the company's two other brands, which, if valued separately, would add up to nearly the total market cap. Anthropologie, which sells clothes, shoes and accessories to women 28 to 45, generates 40% of total sales and could book about $1.5 billion in revenue in fiscal 2016, Murray says. It is growing about 10% per year, compared with 6% companywide growth. Using an enterprise value (EV, or net debt plus market cap) ratio of 1.5 times annual sales, Anthropologie would be worth about $2.25 billion.

The Free People brand, a "boho chic" label for women 25 to 30 that is growing by more than 20% per year, provides 15% of total sales. Murray estimates about $600 million in fiscal 2016 revenue. Using a higher three-times multiple, the valuation comes to $1.8 billion. Together the two would be valued at about $4 billion.

The entire company, which has $300 million of cash and little debt, has an EV of roughly $4.2 billion, "so it's like you're getting the Urban Outfitters brand for free," the money manager says. The company trades at one times sales but has traded at double that in the past.

In the nine months ended Oct. 31, sales rose to $2.3 billion from $2.18 billion, but higher costs led to a drop in net income to $152 million, or $1.10, from $194 million, or $1.32. Urban Outfitters' valuation is near the low end of its historical range. Shares trade for 18 times analysts' consensus earnings estimate of $1.94 a share for fiscal 2016. The median forward multiple is 21.

With a modest improvement in margins and comps, says Murray, the P/E could move back to the median, for a share price of about $40, or 15% higher. Should the company effect a strong turnaround, the stock could go to the mid-$40s, he adds. (For a decidedly more bearish take on Urban Outfitters, see "Gap vs. Urban Outfitters: Buy One, Dump the Other," published Jan. 23 on Barrons.com.)

Urban Outfitters has 539 stores, mostly in the U.S. The growing economy and lower gasoline prices could provide a nice tail wind to the shares. Fashion risk is ever-present, but if the Urban Outfitters brand continues to recover, so will the stock price.

Vital Signs

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DJUtilities	647.78	+7.04	+1.10
DJ65Stocks	6460.32	+89.24	+1.40
DJUSMarket	515.56	+8.39	+1.65
NYSEComp.	10788.33	+128.01	+1.20
NYSEMKTComp.	2453.76	+26.84	+1.11
S&P500	2051.82	+32.40	+1.60
S&PMidCap	1455.79	+24.90	+1.74
S&PSmallCap	683.82	+5.54	+0.82
Nasdaq	4757.88	+123.49	+2.66
ValueLine(arith.)	4631.35	+68.10	+1.49
Russell2000	1188.93	+12.27	+1.04
DJUSTSMFloat	21352.31	+337.26	+1.60

	Last Week	Week Earlier
NYSE		
Advances	2,083	1,448
Declines	1,152	1,796
Unchanged	49	40
NewHighs	516	479
NewLows	165	339
AvDailyVol(mil)	3,813.3	4,009.3
Dollar		
(Finexspotindex)	94.99	92.52
T-Bond		
(CBTnearbyfutures)	149-270	149-170
Crude Oil		
(NYMlightsweetcrude)	45.59	48.69
Inflation KR-CRB		

(FuturesPriceIndex)	216.61	224.24
Gold		
(CMXnearbyfutures)	1292.60	1276.90

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DOW JONES
NEWSWIRES

Modi's Nuclear Deal To Recharge India's Growth -- Barron's Asia

768 字
2015 年 1 月 26 日 08:58
Dow Jones Institutional News
DJDN
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Utilities and engineering stocks will gain from New Delhi's increased investment and energy reforms.

By Thomas Streater

Having inked an agreement that will allow U.S. companies to sell civilian nuclear technology to India, it's perhaps not surprising that President Barack Obama was the guest of honor at it India's Republic Day celebrations on Monday.

Being the first U.S. President to attend the grand display of Indian national pride and military strength underscores the close relations between the world's largest democracies, with the commercial benefits flowing from a slate of agreements expected to bolster Prime Minister Narendra Modi's ambition to bring electricity to all households by the end of the decade and promote the country's emergence as a manufacturing powerhouse.

Modi has enjoyed a prolonged honeymoon period since assuming office in late May as expectations run high the pro-business reformer can reproduce at the national level the strong growth that he delivered when he was the chief minister of the western state of Gujarat. Investors have clearly backed his ability to bring change to India, with the Sensex Index posting an annualized return of 32% since Modi moved into 7 Race Course Road. Obama couldn't be blamed for having stockmarket return envy, with the S&P500 generating a more modest annualized return of 18% since he first occupied the Oval Office.

India's economy is enjoying some tailwinds, which in turn have helped lift the Sensex to record levels. A surprise interest rate cut from the Reserve Bank of India earlier this month, coupled with the substantial declines in the price of key commodities like oil, have brightened the outlook for growth in the world's second most populous country. But with much of the good news priced in, investors like Anand Radhakrishnan, chief investment officer at Franklin Templeton Investments India, expect further gains in the market will have to be sourced from earnings growth.

The ability to access high-end civilian nuclear power technology is clearly a long term positive for India's growth given the economy has been hampered by blackouts. A power outage in July 2012 left more than 600 million people without electricity. Modi's embrace of renewable energy will impact India's power generators. Increased nuclear investment could force coal and gas generators to become more efficient through greater competition. While the nuclear deal has focused attention on renewable energy, Modi unveiled reforms last year that will allow more private companies, including foreign miners, to play a greater role in coal mining.

India's leading utilities should have greater support to grow their renewable energy capacities. NTPC Limited (532555.IN) has just 0.25% of installed capacity coming from renewables. Tata Power Company Limited (500400.IN), my colleague Isabella Zhong recommended back in October, has a higher proportion of installed capacity coming from renewables, at about 14%. But the two utilities have underperformed the Sensex by about 30 percentage points and 20 percentage points respectively in the last year, as concerns about access to coal weighed on investors' minds.

The promise of the electrification of India's households has seen engineering and construction companies emerge as magnets for investors keen to profit from increased spending on new power plants, as well as transmission and distribution infrastructure. Bharat Heavy Electricals Limited (500103.IN), Larsen & Toubro Ltd. (500510.IN) and Thermax Limited (500411.IN) have outperformed the Sensex index over the last year by just under 30 percentage points. They can also be expected to continue to benefit as India looks to grow its generation capacity in both renewable energy and nuclear power.

The focus on improving India's electricity network is an important element in Modi's reform agenda at laying the foundation for stronger growth. Citi's Asian macro strategists believe India could make material strides in "reforming the factors of production - land, labor, capital and enterprise" and that GDP growth this year could hit 5.6%, followed by 6.5% in 2016.

Investors should also be focused on Modi's first budget in February. It will highlight how the government intends to reduce its underlying fiscal deficit, with a cogent plan for the future likely to underpin investor sentiment. The combination of stronger growth, and ongoing reform momentum, could entice further capital inflows into the country, including India's utilities and engineering stocks.

Email: thomas.streater@barrons.com

Comments? E-mail us at asiaeditors@barrons.com

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DOW JONES
NEWSWIRES

The Trader: QE Euro-Style Sends Dow Up 1% On Week -- Barron's

2,122 字
2015 年 1 月 24 日 05:08
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(FROM BARRON'S 1/26/15)
By Vito J. Racanelli
Thanks, Mario.

They're saying that in markets 'round the world, now that Mario Draghi, the European Central Bank's president, has announced a massive bond-buying program to help Europe shake off its economic malaise. The news spurred equity markets to rally, and helped U.S. stocks soar 1.6% in a holiday-shortened week.

The beaten-down energy sector recovered somewhat, with stocks gaining 2%, even though crude oil prices fell 7% last week, to a new low of $45.59 per barrel. Tech stocks rose 3%. With the widely anticipated ECB move out of the way, investors are likely to turn their focus to fourth-quarter earnings releases.

Draghi announced that the ECB will buy 60 billion euros ($67 billion) a month in assets, including government bonds, beginning in March and running until September 2016, at least. This quantitative easing program, which would expand the central bank's balance sheet by about 1.1 trillion euros, met market expectations. Central-bank QE policy moves support equities by depressing bond yields, making stocks more attractive.

The Dow Jones Industrial Average gained 161 points last week, or 1% to 17,672.60. The Standard & Poor's 500 index rose 1.6%, or 32, to 2,051.82. The Nasdaq Composite tacked on 124.70 points, or 2.7%, to 4757.88. The MSCI world stock market index jumped 2%.

The market was already up from the previous Friday in anticipation of ECB move, notes Robert Pavlik, chief market strategist at Banyan Partners, suggesting investors felt the early January drop had driven prices down to where the bull's "buy on dips" reflex kicked in again. There was no 10% correction in either 2014 or 2013.

Ron Weiner, CEO of RDM Financial Group, concurs. "The dips get bought. Maybe that's not the right reason to buy stocks," he says.

But with interest rates low and the market's valuation not extravagant, the Fed is getting what it wants: driving money into risk assets. Low rates will keep a floor under stock prices in general, he adds.

Traditionally riskier small caps rose about 1% last week. He notes that investors also snapped up other risky assets, such as the unprofitable Internet-software stocks ServiceNow (ticker: NOW), up 8%, and Splunk (SPLK), up 3%.

This week investors might hesitate and do some profit-taking ahead of the Federal Open Market Committee meeting that finishes up Wednesday, says J.J. Kinahan, TD Ameritrade's chief strategist. Although no new action is anticipated from the Fed, some might want to lighten up ahead, just in case, he says.

Now that the ECB has moved, a lot of long-anticipated monetary news "is on the table," says Peter Jankovskis, co-chief investment officer of Oakbrook Investments. After the fourth-quarter earnings season is over, the focus will return to the Fed, he says. "Through June, if we haven't seen the rate move, then we will want to see a stronger indication of when [U.S.] rates will go up."

Testing Investors

Shares of Laboratory Corp. of America Holdings (ticker: LH) have jumped nearly 20% since mid-November to $117.29, outperforming a market that has made little headway, despite volatile trading. Investors applauded LabCorp's $6.1 billion offer for Covance (CVD), announced Nov. 3 by the lab-testing and diagnostics giant. Covance, a contract research firm, runs new drug trials for big pharmaceutical companies. Like LabCorp, its business is generally steady and stable.

While the market's warm welcome incorporates the deal's strong points, it seemingly fails to discount execution risk. The acquisition is many times larger than LabCorp's typical $1 billion bolt-on transaction. It will also double the company's debt and will raise leverage sharply. Given LabCorp's relatively high valuation, even a minor execution miss could lead to a disproportionate share drop in 2015.

LabCorp is paying a rich 13.3 times Covance's annual earnings before interest, taxes, depreciation, and amortization (Ebitda) and says the acquisition will be accretive to earnings per share (EPS) this year. LabCorp also hopes to achieve annual cost synergies "in excess of $100 million."

Not every investor is enthusiastic. Darren Pollock, a money manager with Cheviot Value Management, says his firm sold its longstanding LabCorp stake following the announcement. Each company could add to the other's business, Pollock concedes, but the deal may be less about synergies than about taking a step away from LabCorp's slowing core business, he says.

The pricing pressure afflicting lab testing in the past two years hasn't abated, he says. Demanding customers such as Medicare and Medicaid, which with managed-care customers provide two-thirds of LabCorp's test volumes, look at lab testing as a place where costs can be cut, he says. The industry has endured 1% to 3% annual price erosion in the past couple of years.

The debt has gotten the attention of ratings agencies. Last Wednesday, Standard & Poor's downgraded LabCorp's credit rating to BBB- from BBB, reflecting higher leverage. Pro forma, the combined companies' debt will be nearly $7 billion and debt-to-Ebitda leverage will jump to more than four times from 2.7 times, says S&P analyst Shannan Murphy. A Moody's report last week said the higher leverage will leave LabCorp a "limited cushion" to absorb negative developments.

Carol Levenson, director of research at Gimme Credit, an independent bond-research boutique, notes that while benefits accrue from a more diversified customer mix, there is also the potential for greater cash-flow volatility from Covance's reliance on big pharma research and development spending. Management's resolve to reduce debt will be tested, she adds. LabCorp spent $1 billion in share repurchases in 2013, which made the difference between a 2% decline in EPS and a 2% rise, she adds.

Pollock says the acquisition changes the routine that LabCorp shareholders were accustomed to: a long history of strong free cash flow financing bolt-on acquisitions and share buybacks.

LabCorp's EPS growth in recent years has slowed to single-digit percentage gains from a double-digit rate a few years ago. Costs have shot up. In the first nine months of 2014, sales rose 3% to $4.5 billion but the cost of sales rose 6%, due partly to government payment reductions, while selling, general, and administrative expenses increased 5%. Net income fell to $392 million, or $4.53 per share, from $448 million or $4.81.

The shares don't look expensive on an absolute level, but at 16 times consensus analyst estimates of $7.37 this year, that's near historical highs and above the median price/earnings ratio of 13.5. LabCorp didn't respond to a request for comment.

When a business changes this dramatically, Pollock notes, there can be unforeseen execution risks and other surprises. That won't be welcomed by investors.

Turning Urban

Urban Outfitters (URBN), the specialty retailer, has had a tough time in the past 20 months. While two of its three main brands, Anthropologie and Free People, continue to grow robustly, the namesake and biggest brand, Urban Outfitters, which caters to young adults aged 18 to 35, has stumbled, with negative same-store sales comparisons with last year.

Adding insult to injury, the company's usually capable management team angered investors by issuing a profit warning in October, just weeks after holding a bullish investor day.

At $34.80, the shares have recovered some from recent lows, but remain nearly 22% below the high of $45 in May, 2013. The stock has significantly underperformed the market and retailing stocks, both up more than 20% in the same period.

This stock would be more attractive if Urban Outfitters could stabilize its namesake brand, and there is evidence this is beginning to happen. It is a quality company and the stock appears undervalued, says Andy Murray, a portfolio manager with Becker Capital, which has been buying shares.

Comps at the Urban Outfitters unit, 40% to 45% of total sales, steadily improved in fiscal 2015, which ends this month, from negative 12% in the fiscal first quarter to minus 10% in the second and negative 7% in the third quarter. Murray is buoyed by the Christmas season, as the company reported the Urban Outfitters' brand produced positive comps of 1% in November and December.

The Urban Outfitter problem, Murray says, has obscured the company's two other brands, which, if valued separately, would add up to nearly the total market cap. Anthropologie, which sells clothes, shoes and accessories to women 28 to 45, generates 40% of total sales and could book about $1.5 billion in revenue in fiscal 2016, Murray says. It is growing about 10% per year, compared with 6% companywide growth. Using an enterprise value (EV, or net debt plus market cap) ratio of 1.5 times annual sales, Anthropologie would be worth about $2.25 billion.

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24 Jan 2015 00:09 ET The Trader: QE Euro-Style Sends Dow Up 1% On Week -2-

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NEWSWIRES

*Direxion S&P500 Bull 1.25 (LLSP) Resumed Trading

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DOW JONES
NEWSWIRES

*Direxion S&P500 Bull 1.25 (LLSP) Halt: Single-Stock Circuit Breaker

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BARRON'S

MARKET WEEK
Stocks --- The Trader: Stocks Fall 1.3% on Oil and Currency News

By Vito J. Racanelli
1,989 字
2015 年 1 月 19 日
Barron's
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So much for TINA -- the acronym, or market mantra, for "there is no alternative" to U.S. equities -- after stocks laid another egg last week, dropping more than 1% in active and volatile trading. A recovery Friday eased the pain, but investors might be wondering if there is a short-term alternative. Would that be Tiasta?

The broad market is down less than 4% from all-time highs, an unremarkable drop in the last two years, but the anxiety appears more palpable since investors are looking down from a higher valuation altitude.

One driver of the swoon was a surprise move Thursday by the Swiss National Bank, which ended its policy cap of 1.2 francs to the euro. The Swiss franc promptly rose to parity against the euro-zone currency, as investors speculated that the European Central Bank will announce some kind of significant quantitative easing this Thursday. (For more see Up and Down Wall Street, page 7.)

Last week, the Dow Jones Industrial Average gave up 226 points or 1.3% to 17,511.57. Likewise, the Standard & Poor's 500 index fell 1.3%, or 25, to 2,019.42. The Nasdaq Composite index lost 70 points, or 1.5%, to 4634.38.

Behind the headlines, there's an ongoing debate as to whether the precipitous drop in oil prices is a boon or a bust for U.S. stocks. This week the answer was that it isn't so good. Recent retail sales data, notes Malcolm Polley, president of Stewart Capital Advisors, rebuke the strongly held view that lower gasoline prices will make Americans open their wallets wide. December retail sales fell 0.9%, the Commerce Department said Wednesday. The global macroeconomic environment just isn't that good, he adds.

Seth Setrakian, a partner at First New York Securities, adds that investors are "waking up" to the fact that the oil-price drop doesn't just reflect an oversupply but also weak global demand.

Last year, investors seemed unperturbed by what the crude slide means for energy corporate earnings or, in turn, S&P 500 profits as a whole. It is starting to look like there might be a bigger-than-expected hit to S&P 500 index profits, adds Setrakian. While it's too early to tell, he adds, there's worry over bank profits and balance sheets, too.

The global currency churning reawakened financial-contagion fears. FXCM (ticker: FXCM), a currency broker dealer whose stock fell 26%, said it could have breached some regulatory capital requirements after the unprecedented currency volatility. Friday it announced a $300 million infusion from Leucadia National (LUK) to allow it to meet those requirements and continue normal operations.

Given such fears, it might take one and perhaps two more quarters of earnings results from the world's big banks and energy companies before Mr. Market gets comfortable. And that would be just in time for the expected first hike in interest rates by the Federal Reserve mid-summer. We've said it before and we'll say it again: Get used to volatility for a while.

In the Bargain Bin

Shares of Precision Castparts were smacked around last week, but this knee-jerk, emotional reaction could be an attractive opportunity for a long-term investor.

The Portland-based firm (PCP) warned Thursday that lower demand in oil and gas markets and further aerospace destocking at a single customer, among other issues, had hurt its December-ended fiscal third quarter. The maker of high-tech castings, forgings, and fasteners for planes, jet engines, turbines, and oil and gas equipment said it expected $2.42 billion to $2.47 billion in sales for the quarter and earnings from continuing operations of $3.05 to $3.10 per share, both significantly below analyst projections. The $28 billion company will release full quarterly results Jan. 22.

Plunging energy prices have taken a toll on many stocks, but nearly 70% of Precision Castparts' business comes from growing aerospace markets. Sales to power markets, of which oil and gas is just one part, are about 18% of the total.

The stock is down about 27%, to $199.63, from a high of $275 last summer. Another worry has been that cheap jet fuel will let airlines keep fuel-guzzling older planes around longer and delay new orders.

With the broad market already reeling from crude concerns, the market probably overreacted to this announcement. Investors seem to have forgotten Precision Castparts' strong track record through thick and thin, and the robust air travel growth expected in coming years. The market is missing the forest for the trees here, says Christopher Tsai, president of Tsai Capital, which has bought PCP shares lately.

Air travel is expected to rise 7% this year and at a robust average annual clip of 4.1% over the next two decades, according to the International Air Transport Association. That will require plenty of new aircraft in the future, Tsai says.

Precision Castparts is a "very healthy" business, with high barriers to entry and high switching costs for its customers, the plane manufacturers. For example, customers want more engine thrust and lower carbon emissions. That, in turn, requires that parts makers be big and resourceful enough to supply more-complex products that can withstand higher and higher temperatures and pressures. It also means more revenue per part, Tsai observes.

Precision Castparts enjoys a significant competitive advantage, is a leading supplier to all plane manufacturers, and is generally No. 1 or No. 2 in most of the business lines in which it competes, he points out. Over the past decade, Precision Castparts' prowess has led to consistently strong double-digit percentage growth in earnings per share (EPS), and a return on equity around 18%, he adds.

Investors might not know the history of this publicity-shy but industry-leading outfit. CEO Mark Donegan has installed a strong culture of efficiency and made numerous bolt-on acquisitions that have improved the company's place in the supply chain. It's doubtful one in a hundred investors realizes Precision Castparts was the seventh-best performer in the S&P 500 index from 2000 to 2014, up 3,570%, topping companies like Apple (AAPL).

At $275, the stock wasn't inexpensive, but now it is, relative to its history, Tsai says. At 12.8 times consensus analyst EPS estimates of $15.60 for fiscal 2016, which ends in March of that year, the valuation has fallen to levels below the historical median P/E of 17 and the average of 15.2. Admittedly, the profit projections will fall soon, perhaps by 50 cents to a $1, but even at $14.50, the forward P/E would be 13 times.

Moreover, this stock has dropped sharply comparatively few times in the past decade. If the shares simply returned to their historical valuation in the next 12 months, they'd be worth almost $220, or 10% higher.

Precision Castparts has fans other than Tsai Capital. Warren Buffett's Berkshire Hathaway (BRKA) had a 1.5% stake as of Sept. 30. As oil prices stabilize, the stock's bargain price will attract new investors.

Go With the Flow

Dallas-based Flowserve (FLS) also has an energy connection that probably isn't as concerning as the market's reaction would have it. The company makes industrial flow-control systems, such as valves, pumps, and ancillary products for energy, power, chemical, water, and other important industries. Like Precision Castparts, Flowserve produces mission-critical, yet unsung, parts.

At $55.68, its shares are down from a high of $82 last summer. The decline has been accompanied by a drop in consensus EPS estimates, to $4 for this year, from $4.45.

In addition to the oily worries, this global company serves more than 50 countries, so it is exposed to currency risk from the rising dollar. In the nine months ended September, Flowserve had a higher net income -- $360 million, or $2.60 a share, versus $344 million and $2.41 -- but mainly on currency fluctuations in both years.

In company presentations, investors see that 40% of revenue comes from the oil and gas industry and then bail out of the stock. Michael Kon, an analyst at Golub Group, says that investors don't realize that Flowserve's energy component is more geared to petroleum-product refineries than oil exploration and production firms. Golub has bought shares in the downdraft.

Last month, at a Credit Suisse investor conference, CFO Michael Taff said that Flowserve is a downstream and midstream player, big in refining, pipelines, and pumping stations. "Upstream" operations -- that is, exploration and production -- account for only about 8% of total revenue, he added.

For refiners, crude's price slump is a neutral factor. Indeed, refiners' stocks are flat since the summer, while E&P stocks are down about 30% -- like Flowserve.

"Refiners make money whether oil is up or down," Kon says. Flowserve's sales are geographically diverse, and 40% are to the aftermarket, or replacement, market, and 40% to what it terms "short-cycle recurring" needs, both fairly steady businesses.

This is a high-quality company with dependable operating margins, Kon adds. Like Precision Castparts, it makes critical parts for industries in which the cost of switching suppliers is high. Once a Flowserve pump is installed, Kon says, it's likely that future parts and services will be provided by Flowserve. If a pump breaks, its replacement is also highly likely to come from Flowserve.

The stock's P/E is now also a good deal lower than its historical average. The shares trade for 14 times this year's consensus EPS of $4 -- down from $4.46 in 2014 -- and lower than the median 16 times.

Meanwhile, Flowserve's long-term track record -- which should be at least of equal interest as the drop in oil -- shows consistently robust revenue and earnings over the past decade, except during the financial crisis years of 2008-09. Over the decade, even including the crisis, Kon notes, Flowserve's return on equity has averaged just under 20%.

As with Precision Castparts, investors are likely to return to Flowserve once the energy picture clears up.

Correction

Last week's bullish item on Discovery Communications (DISCA) incorrectly reported that analyst consensus earnings per share estimates had been cut in half. That didn't take into account a 2-for-1 stock split last year. We apologize for the error. In any event, that EPS estimates are down 12% -- much less than the 33% drop in the stock itself -- supports our case for the shares.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17511.57	-225.80	-1.27
DJTransportation	8764.12	-94.03	-1.06
DJUtilities	640.74	+17.13	+2.75
DJ65Stocks	6371.08	-35.79	-0.56
DJUSMarket	507.17	-6.07	-1.18
NYSEComp.	10660.33	-51.08	-0.48
NYSEMKTComp.	2426.91	+36.61	+1.53
S&P500	2019.42	-25.39	-1.24
S&PMidCap	1430.89	-10.39	-0.72
S&PSmallCap	678.28	-2.46	-0.36
Nasdaq	4634.38	-69.68	-1.48
ValueLine(arith.)	4563.25	-48.84	-1.06
Russell2000	1176.65	-9.02	-0.76
DJUSTSMFloat	21015.06	-249.36	-1.17

	Last Week	Week Earlier
NYSE		
Advances	1,448	1,512
Declines	1,796	1,748
Unchanged	40	29
NewHighs	479	413
NewLows	339	202
AvDailyVol(mil)	4,009.3	3,819.8
Dollar		
(Finexspotindex)	92.69	91.92
T-Bond		
(CBTnearbyfutures)	149-170	147-170

Crude Oil		
(NYMlightsweetcrude)	48.69	48.36
Inflation KR-CRB		
(FuturesPriceIndex)	224.24	225.57
Gold		
(CMXnearbyfutures)	1276.90	1216.00

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文件 B000000020150117eb1j00017

BARRON'S

Fund of Information
Buy Local -- and Abroad

By Reshma Kapadia
1,126 字
2015 年 1 月 19 日
Barron's
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32
英文

Everyone has heard about the influx of Russians and the Chinese scooping up property in the most expensive U.S. cities. But it's not just foreign investors scouting real estate deals abroad. U.S. investors are also looking beyond their borders for real estate.

More than half of global institutional money managers surveyed by BlackRock late last year said they expected to increase their real estate holdings within the next 18 months. Smaller U.S. investors are thinking similarly, though they primarily invest through real estate investment trusts, which own an array of properties such as malls, offices, and apartment buildings. REITs are high-yielding, since they're required to pay out a bulk of their earnings as dividends.

Investors have poured more than $9.5 billion into global real estate mutual funds in the past five years. Another $2.4 billion went into the 11 global real estate exchange-traded funds, more than double that of the prior year, according to Morningstar. And yet, Gregg Fisher, founder of investment advisory Gerstein Fisher in New York, says most investors don't have a large enough allocation: He notes that REITs make up about 2% of global market value, but investors should have an allocation of 5% to 10% to global REITs.

The appeal is twofold: Real estate has had low correlations to the markets, and global real estate adds another layer of diversification. For example, a REIT in Europe and one in Japan are much less correlated than a large-company stock in Europe would be to a large-company stock in Japan, Fisher says.

Also, of course, there's income. The benchmark FTSE EPRA/Nareit Global REIT index yields an average 3.8%. European and Japanese central bankers' efforts to stimulate their economies should keep interest rates low, making REITs look all the more attractive for income investors.

But with global REITs up 23% over the past year, they are more expensive than their historical average, though less so when compared with global bond yields. Co-manager Michael McGowan of Forward International Real Estate (ticker: KIRAX) doesn't see danger signs yet, and notes that there are pockets of opportunity, like Hong Kong and parts of the United Kingdom.

One drawback for U.S. investors hunting abroad is the sharp currency swings that have cut into returns lately. Many managers do not hedge currencies, and volatility is likely to persist. For those up for the ride, there are only a handful of funds with sizable assets. The DFA Global Real Estate Securities (DFGEX) has outperformed all of its peers over the past year and five years and generates a yield of 3.8%, higher than the category average.

Third Avenue Real Estate Value (TVRVX) yields just 2.2%, with managers focusing more on capital appreciation over yield. The fund, which has outperformed all of its peers over the past three years, can invest in REITs, real estate related stocks, and debt. While its category averages 14% of assets in Japan, the fund has none, and it has almost doubled the average in the U.K.

A cheaper way in is the $1.8 billion SPDR Dow Jones Global Real Estate ETF (RWO), which has outperformed its peers in the past year. The ETF handily illustrates the case for owning global real estate: Over the past five years, Morningstar says, it has been less volatile than either domestic or international real estate funds while offering higher yields than U.S.-only funds.

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e-mail: reshma.kapadia@barrons.com

Scoreboard: One Glittering Bright Spot

-- U.S. diversified stock funds, on average, fared ever-so-slightly better than the S&P500 in the week ended Thursday, according to Lipper. The average diversified fund lost 3.13%, while the S&P fell 3.35%. All of the largest actively managed stock funds were down. Precious metals funds shone, rising 6.41%.

	One Week	Year-to-Date
U.S. STOCK FUNDS	-3.13%	-3.38%
U.S. BOND FUNDS	0.37	0.68
TOP SECTOR / Precious Metals Equity Funds	6.41	12.93
BOTTOM SECTOR / Natural Resources Funds	-5.18	-8.60

THE WEEK'S TOP 10

Fund / Investment Objective	One Week	Year-to-Date
VelShs Dly 2x VIX ST ETN / Specialty & Misc	38.26%	31.00%
ProShs II UltVIX STF ETF / Specialty & Misc	38.24	30.93
Direxion Jr Mnr Bull 3X / DL	24.79	61.80
Direxion Gold M Bull 3X / DL	24.54	53.33
Direxion Russia Bear 3x / DSB	22.70	-7.58
VelShs Dly 2x VIX MT ETN / Specialty & Misc	18.35	13.60
VelShs VIX ShTm ETN / Specialty & Misc	17.96	15.43
ProShs II VIX ST Fut ETF / Specialty & Misc	17.95	15.38
KKM ARMOR A / AMS	17.62	15.32
Direxion EnergyBear 3X / DSB	17.39	25.55

THE WEEK'S BOTTOM 10

Fund / Investment Objective	One Week	Year-to-Date
Direxion Jr Mnr Bear 3X / DSB	-26.26%	-47.80%
Direxion Gold M Bear 3X / DSB	-26.12	-42.68
VelShs 3x Inv Nat Gas / DSB	-25.86	-30.62

Direxion Russia Bull 3x	DL	-21.28	-2.98
Glbl X Copper Miners ETF	BM	-17.49	-19.14
VelShs 3x Long Crude ETN	DL	-17.19	-37.39
Direxion Nat Gas Bull 3X	DL	-17.13	-37.56
Frst Tr II ISE Gl Copper	BM	-17.09	-17.51
ProShs II UIS DJ-UBS NG	DSB	-16.19	-18.89
ProShs II ShVIX STF ETF	DSB	-15.85	-14.97

THE LARGEST 10

Fund	Net Assets (billions)	Investment Objective	3-Year* Return	1-Week Return	YTD Return
SPDR S&P 500 ETF	$215.909	S&P 500 Funds	17.72%	-3.35%	-3.15%
Vanguard 500 Index Adm	143.043	S&P 500 Funds	17.84	-3.35	-3.15
Vanguard TSM Idx Inv	117.966	Multi Cap Core	17.70	-3.29	-3.18
Vanguard TSM Idx Adm	117.476	Multi Cap Core	17.85	-3.31	-3.20
Vanguard Instl Indx Inst	102.114	S&P 500 Funds	17.85	-3.35	-3.15
Vanguard TSM Idx Inst	96.674	Multi Cap Core	17.85	-3.31	-3.18
PIMCO Tot Rtn Inst	85.898	CPB	4.52	0.95	1.83
Vanguard Instl Indx InsP	85.611	S&P 500 Funds	17.87	-3.35	-3.15
Fidelity Contrafund	76.030	Large Cap Growth	17.26	-3.20	-3.26
American Funds Gro A	72.970	Large Cap Growth	17.93	-2.75	-3.14

*Annualized. Through Thursday.
Source: Lipper

1116
文件 B000000020150117eb1j00012

DOW JONES
NEWSWIRES

The Trader: Stocks Fall 1.3% On Oil And Currency News -- Barron's

2,218 字
2015 年 1 月 17 日 05:08
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 1/19/15)
By Vito J. Racanelli

So much for TINA -- the acronym, or market mantra, for "there is no alternative" to U.S. equities -- after stocks laid another egg last week, dropping more than 1% in active and volatile trading. A recovery Friday eased the pain, but investors might be wondering if there is a short-term alternative. Would that be Tiasta?

The broad market is down less than 4% from all-time highs, an unremarkable drop in the last two years, but the anxiety appears more palpable since investors are looking down from a higher valuation altitude.

One driver of the swoon was a surprise move Thursday by the Swiss National Bank, which ended its policy cap of 1.2 francs to the euro. The Swiss franc promptly rose to parity against the euro-zone currency, as investors speculated that the European Central Bank will announce some kind of significant quantitative easing this Thursday. (For more see Up and Down Wall Street, page 7.)

Last week, the Dow Jones Industrial Average gave up 226 points or 1.3% to 17,511.57. Likewise, the Standard & Poor's 500 index fell 1.3%, or 25, to 2,019.42. The Nasdaq Composite index lost 70 points, or 1.5%, to 4634.38.

Behind the headlines, there's an ongoing debate as to whether the precipitous drop in oil prices is a boon or a bust for U.S. stocks. This week the answer was that it isn't so good. Recent retail sales data, notes Malcolm Polley, president of Stewart Capital Advisors, rebuke the strongly held view that lower gasoline prices will make Americans open their wallets wide. December retail sales fell 0.9%, the Commerce Department said Wednesday. The global macroeconomic environment just isn't that good, he adds.

Seth Setrakian, a partner at First New York Securities, adds that investors are "waking up" to the fact that the oil-price drop doesn't just reflect an oversupply but also weak global demand.

Last year, investors seemed unperturbed by what the crude slide means for energy corporate earnings or, in turn, S&P 500 profits as a whole. It is starting to look like there might be a bigger-than-expected hit to S&P 500 index profits, adds Setrakian. While it's too early to tell, he adds, there's worry over bank profits and balance sheets, too.

The global currency churning reawakened financial-contagion fears. FXCM (ticker: FXCM), a currency broker dealer whose stock fell 26%, said it could have breached some regulatory capital requirements after the unprecedented currency volatility. Friday it announced a $300 million infusion from Leucadia National (LUK) to allow it to meet those requirements and continue normal operations.

Given such fears, it might take one and perhaps two more quarters of earnings results from the world's big banks and energy companies before Mr. Market gets comfortable. And that would be just in time for the expected first hike in interest rates by the Federal Reserve mid-summer. We've said it before and we'll say it again: Get used to volatility for a while.

In the Bargain Bin

Shares of Precision Castparts were smacked around last week, but this knee-jerk, emotional reaction could be an attractive opportunity for a long-term investor.

The Portland-based firm (PCP) warned Thursday that lower demand in oil and gas markets and further aerospace destocking at a single customer, among other issues, had hurt its December-ended fiscal third quarter. The maker of high-tech castings, forgings, and fasteners for planes, jet engines, turbines, and oil and gas equipment said it expected $2.42 billion to $2.47 billion in sales for the quarter and earnings from continuing operations of $3.05 to $3.10 per share, both significantly below analyst projections. The $28 billion company will release full quarterly results Jan. 22.

Plunging energy prices have taken a toll on many stocks, but nearly 70% of Precision Castparts' business comes from growing aerospace markets. Sales to power markets, of which oil and gas is just one part, are about 18% of the total.

The stock is down about 27%, to $199.63, from a high of $275 last summer. Another worry has been that cheap jet fuel will let airlines keep fuel-guzzling older planes around longer and delay new orders.

With the broad market already reeling from crude concerns, the market probably overreacted to this announcement. Investors seem to have forgotten Precision Castparts' strong track record through thick and thin, and the robust air travel growth expected in coming years. The market is missing the forest for the trees here, says Christopher Tsai, president of Tsai Capital, which has bought PCP shares lately.

Air travel is expected to rise 7% this year and at a robust average annual clip of 4.1% over the next two decades, according to the International Air Transport Association. That will require plenty of new aircraft in the future, Tsai says.

Precision Castparts is a "very healthy" business, with high barriers to entry and high switching costs for its customers, the plane manufacturers. For example, customers want more engine thrust and lower carbon emissions. That, in turn, requires that parts makers be big and resourceful enough to supply more-complex products that can withstand higher and higher temperatures and pressures. It also means more revenue per part, Tsai observes.

Precision Castparts enjoys a significant competitive advantage, is a leading supplier to all plane manufacturers, and is generally No. 1 or No. 2 in most of the business lines in which it competes, he points out. Over the past decade, Precision Castparts' prowess has led to consistently strong double-digit percentage growth in earnings per share (EPS), and a return on equity around 18%, he adds.

Investors might not know the history of this publicity-shy but industry-leading outfit. CEO Mark Donegan has installed a strong culture of efficiency and made numerous bolt-on acquisitions that have improved the company's place in the supply chain. It's doubtful one in a hundred investors realizes Precision Castparts was the seventh-best performer in the S&P 500 index from 2000 to 2014, up 3,570%, topping companies like Apple (AAPL).

At $275, the stock wasn't inexpensive, but now it is, relative to its history, Tsai says. At 12.8 times consensus analyst EPS estimates of $15.60 for fiscal 2016, which ends in March of that year, the valuation has fallen to levels below the historical median P/E of 17 and the average of 15.2. Admittedly, the profit projections will fall soon, perhaps by 50 cents to a $1, but even at $14.50, the forward P/E would be 13 times.

Moreover, this stock has dropped sharply comparatively few times in the past decade. If the shares simply returned to their historical valuation in the next 12 months, they'd be worth almost $220, or 10% higher.

Precision Castparts has fans other than Tsai Capital. Warren Buffett's Berkshire Hathaway (BRKA) had a 1.5% stake as of Sept. 30. As oil prices stabilize, the stock's bargain price will attract new investors.

Go With the Flow

Dallas-based Flowserve (FLS) also has an energy connection that probably isn't as concerning as the market's reaction would have it. The company makes industrial flow-control systems, such as valves, pumps, and ancillary products for energy, power, chemical, water, and other important industries. Like Precision Castparts, Flowserve produces mission-critical, yet unsung, parts.

At $55.68, its shares are down from a high of $82 last summer. The decline has been accompanied by a drop in consensus EPS estimates, to $4 for this year, from $4.45.

In addition to the oily worries, this global company serves more than 50 countries, so it is exposed to currency risk from the rising dollar. In the nine months ended September, Flowserve had a higher net income -- $360 million, or $2.60 a share, versus $344 million and $2.41 -- but mainly on currency fluctuations in both years.

In company presentations, investors see that 40% of revenue comes from the oil and gas industry and then bail out of the stock. Michael Kon, an analyst at Golub Group, says that investors don't realize that Flowserve's energy component is more geared to petroleum-product refineries than oil exploration and production firms. Golub has bought shares in the downdraft.

Last month, at a Credit Suisse investor conference, CFO Michael Taff said that Flowserve is a downstream and midstream player, big in refining, pipelines, and pumping stations. "Upstream" operations -- that is, exploration and production -- account for only about 8% of total revenue, he added.

For refiners, crude's price slump is a neutral factor. Indeed, refiners' stocks are flat since the summer, while E&P stocks are down about 30% -- like Flowserve.

"Refiners make money whether oil is up or down," Kon says. Flowserve's sales are geographically diverse, and 40% are to the aftermarket, or replacement, market, and 40% to what it terms "short-cycle recurring" needs, both fairly steady businesses.

This is a high-quality company with dependable operating margins, Kon adds. Like Precision Castparts, it makes critical parts for industries in which the cost of switching suppliers is high. Once a Flowserve pump is installed, Kon says, it's likely that future parts and services will be provided by Flowserve. If a pump breaks, its replacement is also highly likely to come from Flowserve.

The stock's P/E is now also a good deal lower than its historical average. The shares trade for 14 times this year's consensus EPS of $4 -- down from $4.46 in 2014 -- and lower than the median 16 times.

Meanwhile, Flowserve's long-term track record -- which should be at least of equal interest as the drop in oil -- shows consistently robust revenue and earnings over the past decade, except during the financial crisis years of 2008-09. Over the decade, even including the crisis, Kon notes, Flowserve's return on equity has averaged just under 20%.

As with Precision Castparts, investors are likely to return to Flowserve once the energy picture clears up.

Correction

17 Jan 2015 00:09 ET The Trader: Stocks Fall 1.3% On Oil And Currency -2-

Last week's bullish item on Discovery Communications (DISCA) incorrectly reported that analyst consensus earnings per share estimates had been cut in half. That didn't take into account a 2-for-1 stock split last year. We apologize for the error. In any event, that EPS estimates are down 12% -- much less than the 33% drop in the stock itself -- supports our case for the shares.

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(END) Dow Jones Newswires

January 17, 2015 00:09 ET (05:09 GMT)

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Hedge Funds See Equity Sweet Spot -- Market Talk

120 字
2015 年 1 月 16 日 11:14
Dow Jones Institutional News
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1114 GMT [Dow Jones]--Hedge fund managers see a sweet spot in U.S. equities thanks to accommodative monetary policy, according to a survey of 80 funds with over $1 trillion in assets, conducted by Lyxor Asset Management. Nearly 70% of respondents said the Fed won't raise interest rates in 2015's first half, compared to 50% back in June. Over 80% of managers surveyed expected the S&P500 to deliver a performance of more than 5% in 2015. (Christopher.whittall@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

(END) Dow Jones Newswires

January 16, 2015 06:14 ET (11:14 GMT)

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DOW JONES
NEWSWIRES

Australian Equities Roundup -- Market Talk

5,104 字
2015 年 1 月 13 日 04:10
Dow Jones Institutional News
DJDN
英文

0229 -- The China-sensitive Australian dollar rose as high as 0.8178 from 0.8169 against the greenback after China's December trade exports rose a more-than-expected 9.9% on-year (versus forecast +6.6%) and imports fell a less-than-expected 2.3% on-year (versus forecast -7.0%). Further upside in the Aussie/U.S. dollar pair may encounter resistance at 0.8206 on its hourly chart. Spot AUD/USD is at 0.8172. (jerry.tan@wsj.com)

0221 -- New Zealand's agri-technology exports are worth approximately NZ$1.2 billion annually, and there is a big opportunity to grow them further, according to the latest research into the sector, Economic Development Minister Steven Joyce says. "This research shows that our innovative agritechnology systems generate very significant exports in their own right, and provide the opportunity to deliver much more for New Zealand in the years ahead." New Zealand's agritech sector is made up of products and services such as animal and seed genetics, fertiliser and agri-chemicals, fencing supplies, farm tools, machinery and systems, and pumping and irrigation industries. Joyce says Australia and the United States are top agritech export destinations but the research reveals that exports to Canada, China, South Korea and Saudi Arabia are showing double-digit growth. (lucy.craymer@wsj.com;Twitter: @lucy_craymer)

0215 -- Restaurant search app Zomato is feasting on its rivals. In its sixth acquisition in as many months, it has picked up Urbanspoon for an undisclosed amount in an all-cash deal to enter the Australian market. Urbanspoon offers reviews for restaurants throughout the US, Canada, the UK and New Zealand. In Australia, it has more than one million reviews of 50,000 restaurants. Zomato in the short term says it aims to hire 300 people in Australia, with an investment of 10 million Australian dollars ($8.2 million) planned for the coming year. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0202 -- Macquarie retains an outperform rating on Summerset (SUM.NZ) as all signs are that the company will increase the number of units it develops each year, the brokerage says in a note. It adds that, while increasing unit development has added to the variability of earnings estimates in the short term, it will also drive strong forecast earnings growth. Macquarie retains its prices target of NZ$4.50 per share. The company is trading at NZ$3.07. (lucy.craymer@wsj.com; Twitter: @lucy_craymer)

0155 -- Deutsche Bank downgrades Regis Resources (RRL.AU) to sell from hold, even though it expects the Australian gold miner to resume dividend payouts this year. The catalyst for the downgrade is Regis' recent share-price rally that has pushed the stock around 26% above Deutsche's A$1.70/share price target. More operating issues at the Garden Well gold mine in Western Australia are also a concern. Still, Deutsche expects Regis to pay down the remaining A$20 million debt on its balance sheet before the end of financial year 2015, enabling directors to declare a 2 cents/share dividend alongside its full-year earnings result. RRL last traded at A$2.04. (david.winning@wsj.com; Twitter: @dwinningWSJ)

0140 -- CIMB lowers its price target for clothesline maker Hills (HIL.AU) by 13% to A$1.74/share, worrying that weak business confidence and sluggish non-residential construction is hurting demand for its products. "As a consequence, we have lowered our financial year 2015-16 forecasts by 10-13% and sit marginally below guidance for A$22 million to A$24 million net profit," the broker says. Still, CIMB likes Hills' cash balance as it could tempt the company to hunt for deals. The broker estimates Hills will have a A$13 million net cash position by the end of financial year 2015. It believes a A$100 million purchase at eight times Ebit would boost earnings per share by 18% while leaving interest cover at more than nine times. "In our view, the potential from re-leveraging the balance sheet is not being reflected in the current multiple," CIMB says. It maintains an add call. HIL last traded at A$1.17. (david.winning@wsj.com; Twitter: @dwinningWSJ)

0130 -- UBS upgrades its earnings estimates for blood products maker CSL (CSL.AU) starting second half 2016 on the expectation CSL's new haemophilia treatment rIX-FP will gain U.S. Food and Drug Administration approval by the second quarter. The product is a fusion of two recombinant proteins--Factor IX and Albumin--that would allow patients to space doses by up to two weeks. The incumbent first-generation product needs to be used two-three times a week. "Early patient anecdotes suggest LA (Long Acting) brings lifestyle transformation," say UBS analysts. They estimate rIX-FP will achieve US$110 million in sales within

12 months. UBS lifts its price target on CSL to A$96 a share from A$87. The stock recently traded at A$86.46. (rebecca.thurlow@wsj.com; Twitter: @beckthurlow)

0128 -- Rio Tinto Ltd. (RIO.AU) should outperform its Anglo-Australian rival BHP Billiton Ltd. (BHP.AU) as a tumbling oil price weighs on BHP, which relies on energy for an important chunk of its earnings. J.P. Morgan sees "significant" pressure on BHP's cash flow over the next couple of years. "BHP net debt [should] increase materially, with PEs rising to 30x and the NPV more than halving to A$15," it says. "RIO, on the other hand, sees its NPV reduce to broadly in line with where the share price is, PEs fall to 11x, while net debt comes down leaving room for capital management." J.P. Morgan has an overweight rating on RIO, and a neutral rating on BHP. RIO trades at A$57.43, down 1.0% since the start of 2015, while BHP trades down 4.8% over the same period, at A$27.95. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

0125 -- Despite an anticipated recovery in the Macau gambling market in the second half of the year, the revenue outlook for Crown Resorts' (CWN.AU) joint venture there remains subdued and its performance is likely to weigh on earnings, UBS suggests. It cuts its EPS estimate for fiscal 2015 by almost 11%, for FY16 by 12% and FY17 by 12%. UBS keeps CWN at buy but drops its target price to A$17.90/share from A$20. CWN is trading down 0.7% at A$12.15. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0124 -- Japanese investors were net sellers of Australian-dollar denominated bonds in November, the first month of net selling since September 2013, says Michael Turner, debt strategist at RBC Markets. Selling was in the order of A$1.2 billion. Turner said the selling was roughly equal to the average monthly net buying in the three months prior to November. The drop came as the Australian dollar rose against the yen to an intra-month high of 102 yen. "The cross had traded below 92 yen in mid-October, so some degree of net selling was unsurprising," Turner says. The drop is not expected to be the start of a trend in 2015 with robust demand for Australian bonds likely to be persistent through the year, Turner says. (james.glynn@wsj.com; Twitter: @JamesGlynnWSJ)

0114 -- Will Santos (STO.AU) defend its BBB credit rating? That's the question posed by UBS after ratings agency Standard & Poor's lowered its Brent oil-price forecasts for the third time in six weeks. S&P has now moved its average oil prices to US$55/barrel for 2015 from US$70/barrel previously, and to US$65/barrel for 2016 from US$75/barrel. "In our view Santos is running out of time and options to take action without having to pull the equity raising trigger--its last-resort option," UBS analyst Nik Burns says. Asset sales take time and the market for oil and gas asset sales isn't great, he says. The hybrid debt market is still tough, but may re-open if there is a round of quantitative easing in Europe. Underwriting a dividend reinvestment plan would help, but Burns thinks on its own it would probably be insufficient to avert a downgrade. "Given Santos's leverage to oil prices we expect the stock will outperform its peers when oil prices do eventually recover," he says. "But until its credit rating issues are resolved we remain cautious." UBS rates Santos at neutral with a A$9.60/share price target. STO last traded at A$7.17. (david.winning@wsj.com; Twitter: @dwinningWSJ)

0057 -- Despite what appears to have been solid sales volumes in December and improvement in net profit margins for Australian retailers, CIMB reckons Myer (MYR.AU), JB Hi-Fi (JBH.AU) and Dick Smith (DSH.AU) are at risk of consensus earnings forecasts being cut for fiscal 2015. It remains overweight the sector broadly but says stock selection is important. It drops DSH to hold from add after the recent outperformance of its shares but lifts MYR to add on valuation grounds even though it continues to cede market share to rivals. It keeps JBH and Harvey Norman (HVN.AU) at add. (robb.stewart@wsj.com; Twitter: @RobbMStewart)

0054 -- Village Roadshow (VRL.AU) looks attractive after a steep fall in its share price since the start of December. But Macquarie thinks investors should stay on the sidelines a little longer for the media company that encompasses theme parks, cinema, production and distribution. "We expect Village Roadshow to have a soft 1H and do not see the need to buy into the result," the broker says. Village Roadshow is due to report its half-year result in mid-February and Macquarie thinks its earnings per share fell 15%. The broker keeps an outperform call, while cutting its price target by 10% to A$7.47/share. "Taking a 12-month plus view we think Village Roadshow looks attractive at 13 times FY15 EV/EBIT, as opportunities in Asia firm up and Village Roadshow benefits from a strong 2015 box office and improving tourism outlook," the broker says. VRL last traded at A$5.87. (david.winning@wsj.com; @dwinningWSJ)

12 Jan 2015 23:10 ET Australian Equities Roundup -- Market Talk -2-

0038 -- Royal Wolf Holdings's (RWH.AU) profit warning has prompted Macquarie to ask: how many other customers are struggling to a point where they would want to restructure existing contracts? Royal Wolf, which provides portable containers, said recently that a revised deal with Titan Energy (TTN.AU) will lower its FY15 Ebitda by up to A$2 million as Titan will return equipment it had been leasing. Macquarie lowers its price target for Royal Wolf by 14% to A$2.85/share, retains a neutral call. Still, it thinks Royal Wolf can withstand the current resources slowdown. "While the reduction in camp-related activity and the broader resources slowdown is crimping near term earnings, Royal Wolf has a diverse and resilient business model and innovative product development capabilities," Macquarie says. "At 12 times earnings before interest and tax we feel this outlook is currently factored in." RWH last traded at A$2.61. (david.winning@wsj.com; @dwinningWSJ)

0033 -- NZD/USD is likely to trade with a bearish bias Tuesday. The risk-sensitive Kiwi is undermined by NZD sales on a soft NZD/JPY cross amid increased investor risk aversion; weak commodity prices; Kiwi sales on buoyant EUR/NZD, GBP/NZD and AUD/NZD crosses, and on a soft NZD/CHF cross. Daily chart is mixed as MACD bullish; but stochastics turning bearish at overbought levels, bearish outside-day-range pattern completed Monday. Support at 0.7735 (Monday's low); breach would target 0.7711 (Wednesday's low), then 0.7679 (Jan. 6 low). Resistance at 0.7815 (hourly chart); breach would expose upside to 0.7864-0.7870 band (Monday's high-Dec. 11 high). Spot NZD/USD is at 0.7765. (jerry.tan@wsj.com)

0020 -- AUD/USD is likely to trade with a soft tone Tuesday, undermined by weak commodity and iron-ore prices (benchmark 62% grade iron fell $1.30 on Monday to $68.50/ton), and Aussie sales on a soft AUD/JPY cross amid increased investor risk aversion. The China-sensitive Aussie is vulnerable to China December trade balance data due Tuesday (exports forecast +6.6% on-year; imports forecast -7% on-year; surplus forecast $49.4 billion). Daily chart is mixed as MACD and stochastics bullish, five-day moving average rising above 15-day moving average; but bearish dark-cloud-cover candlestick pattern completed Monday. Support at 0.8129 (Monday's low); breach would target 0.8103 (Friday's low), then 0.8067 (Thursday's low). Resistance at 0.8206 (hourly chart); breach would expose upside to 0.8254 (Monday's high), then to 0.8274 (Dec. 15 high). Spot AUD/USD is at 0.8152. (jerry.tan@wsj.com)

0003 -- Although the effect of lower oil prices on Australia's expanding resources sector could be negative, the other sectors of the economy are expected to be supported by the fall in gasoline prices, said Paul Bloxham, chief economist at HSBC, Australia. The fall in oil prices has already driven a 21% fall in gasoline prices since mid-2014. For consumers, lower petrol prices are a clear positive. He adds that given that the average Australian household uses around 40 liters of fuel a week, a 21% fall in the gasoline price, therefore, saves consumers around A$12 a week or A$624 a year, which is around 0.6% of household disposable income. (james.glynn@wsj.com; Twitter @JamesGlynnWSJ)

2356 -- If it ain't broke, don't fix it, the adage goes. And when it comes to gold miners, Macquarie seems to agree. It has been focused on low-cost ASX miners with Australian-based assets, a strategy it says "has paid off handsomely." "Since the beginning of December, our preferred picks, Northern Star (NST.AU), Regis Resources (RRL.AU), Saracen Minerals (SAR.AU) and Evolution Mining (EVN.AU) are up 81%, 69%, 57% and 93%, respectively," it says. "All four stocks comfortably outperformed the ASX gold index, which was up 41% over the same period." So it says it is sticking with that approach, although it will be wary of betting on any of those whose valuations are starting to appear stretched. "While the strong run in RRL and NST has seen price targets for both stocks either achieved or exceeded, we still see value in SAR, EVN and Doray Minerals (DRM.AU)," it says. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2337 -- The high multiple paid by Fairfax Media (FXJ.AU) for the outstanding 50% in Metro Media Publishing only leads to slight cuts in Deutsche Bank's earnings forecasts. It trims its EPS estimate for FY15 by 0.1% to A$6.12; FY16 by 0.4% to A$6.21; and FY17 by 0.4% to A$6.64. The deal continues FXJ's expansion of its Domain real-estate arm at a price that represents about 10.6 times FY15 enterprise value to Ebitda, the brokerage says. It keeps FXJ at hold with a A$0.90/share target. FXJ was up 1.7% at A$0.895. (robb.stewart@wsj.com)

2305 -- Several important catalysts could come from Iluka Resources Ltd.'s (ILU.AU) 4Q production report Thursday, says J.P. Morgan analyst Mark Busuttil. Firstly, "we believe the most important indicator is a continuation of the trend of higher zircon sales volumes," he says. J.P. Morgan forecasts zircon sales of 100,000 tons in 4Q, up 8% on-quarter. "Achieving our estimate will mean Iluka has increased sales volumes by 32% over the first half--a good indicator of improving demand," Busuttil says. Secondly, investors will be looking for an update on the Balranald project, which he thinks is likely to be deferred in favor of restarting idled synthetic rutile kilns. Whether higher sales volumes translate into higher revenue, and the impact of the lower AUD, will also be closely watched. He doesn't expect any news on the proposed Kenmare acquisition. ILU last traded at A$6.20. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2304 -- Fresh falls in global oil and iron-ore prices will likely weigh on the commodity-heavy Australian share market Tuesday. IG is forecasting the S&P/ASX 200 to open 32 points lower at 5390, with energy stocks a drag. Brent crude-oil prices settled below US$50/bbl for the first time in nearly six years overnight, after Goldman Sachs Group slashed its oil-price outlook. Mining companies including BHP Billiton (BHP) and Fortescue Metals (FMG.AU) may also come under pressure after the iron-ore price fell a further 1.24% and copper prices briefly hit a five-year-low on the London Metal Exchange. It comes after energy stocks were sold heavily on Wall Street. The Dow Jones Industrial Average fell 0.5% Monday, while the S&P500 index lost 0.8%. (vera.sprothen@wsj.com)

2230 -- Australian consumer confidence rose 0.3% to an index reading of 112 in the week ending January 11, building on a moderate rise of 1.4% in the last week, according to a survey by ANZ. However, it still leaves confidence weak after falls in late 2014 on the back of soft economic growth data in the third quarter and a report showing a sharp deterioration in the government's budget balance amid a collapse in commodity prices. "The lack of momentum in consumer confidence remains disappointing especially given lower gasoline prices and the usual seasonal uplift in January). (james.glynn@wsj.com; @JamesGlynnWSJ)

2222 -- Bell Potter is sticking with its buy call and A$4.00/share price target on Altium (ALU.AU), despite the electronics software maker reporting weaker 2Q sales than the broker had forecast. Altium said its quarterly sales rose 6% to US$20.5 million, falling short of Bell Potter's US$23.2 million forecast. "It is unclear what exactly drove the weaker-than-expected sales number but it is likely to have been a combination of lower-than-expected license and subscription sales partly driven by weakness in the European economy," analyst Chris Savage says. Altium typically makes most of its revenue in the second half of its financial year, and this has persuaded Bell Potter to keep its earnings forecasts unchanged for now. ALU last traded at A$2.84. (david.winning@wsj.com; @dwinningWSJ)

2214 -- As falling commodity and energy prices and a weaker Aussie dollar pinch Australia's economy, some local fund managers seek to tie their fortunes to the strengthening US economy. Geoff Wilson, founder of Wilson Asset Management in Sydney with A$850M under management, has been shifting funds toward Australian companies with clear interests in the US. Targets include compensation lawyers Slater & Gordon (SGH.AU), gaming company Aristocrat Leisure (ALL.AU) and ethical fund manager Hunter Hall (HHL.AU). Mr. Wilson recently cut exposure to materials producers such as CSR (CSR.AU), Boral (BLD.AU) and Brickworks (BKW.AU) because he thinks growth opportunities there are fading. While he expects the Aussie to weaken to US$0.70 during the next couple years, he thinks the US dollar will likely strengthen for longer than many people anticipate. (vera.sprothen@wsj.com)

2207 -- Australian dollar has shown tentative signs of stabilizing since the start of this year, but Capital Economics thinks the currency is likely to fall further against the U.S. dollar. One reason is that iron-ore and coal prices are likely to decline again as Australia's decadelong boom in mining investment leads to stronger commodity supply over the next few years. Also, U.S. investors have been scaling back their expectations of when the Federal Reserve will raise rates for the first time and how substantially it will then tighten policy. That's taken some heat out of the U.S. dollar against its Australian counterpart. "The upshot is that while we don't expect the Australian dollar to tumble as far this year as it did in 2014, we still forecast the exchange rate against the U.S. dollar to drop to US$0.75 by end-2015 from around US$0.82 today," economist John Higgins says. (david.winning@wsj.com; @dwinningWSJ)

12 Jan 2015 23:10 ET Australian Equities Roundup -- Market Talk -3-

2203 -- JPMorgan lifts target on fund manager Platinum Asset Management (PTM.AU) to A$6.45 from A$5.85. Still, it keeps an underweight rating on the stock, which has rallied circa 30% since mid-October and already trades well above that level, at A$7.57/share. While PTM is expected to benefit from a depreciating AUD and mandated growth in Australia's superannuation industry, JPM says that, at December-end, its largest funds were underperforming their respective benchmarks on key three- and five-year metrics. "While longer term PTM has an enviable outperformance record, our concerns over recent periods has been the investment underperformance which had started to creep into PTM's largest funds," firm says. (rhiannon.hoyle@wsj.com; @RhiannonHoyle)

2201 -- Asian markets likely to continue to be driven by falling oil prices and expectations of central bank moves over the coming weeks, says First NZ Capital broker Philip Hunter in Wellington New Zealand. He says that Alcoa was the first major U.S. company to release results which came in above expectations. Locally, Hunter says Summerset (SUM.NZ) continues to be supported by the "pleasing" 4Q sales figures it released Monday. (lucy.craymer@wsj.com; @lucy_craymer)

2156 -- Despite the Australian dollar's rejection of the mid-US$0.8250 region in the last few trading session, and subsequent slide, Sean Callow, currency strategist at Westpac said he is looking for support at US$0.8125-35 to hold in Asia (now US$0.8157) given the price of iron ore, Australia's biggest export, is still broadly range-bound around US$70 per ton. There is also an overhang of speculative short Australian dollar positions which will limit the size of any slide, Mr. Callow said. (james.glynn@wsj.com; @JamesGlynnWSJ)

2154 -- JPMorgan says it's highly likely that S&P will downgrade Australian oil producer Santos (STO.AU) another notch to BBB- from BBB. That's because S&P has again lowered its Brent oil-price forecasts, this time to US$55/bbl for 2015 from US$70/bbl previously, and to US$65/bbl for 2016 from US$75/bbl. "We continue to believe that Santos will exhaust all available means at its disposal to avert an equity placement to support an investment grade credit rating," S&P says. "However, time is running out and the Santos board may need to seriously consider whether the investment grade rating is worth holding on to given the less-than-palatable alternative." JPM rates Santos at overweight, with a A$16.14/share price target. STO last traded at A$7.29. (david.winning@wsj.com; @dwinningWSJ)

2149 -- Bell Potter keeps Life Healthcare (LHC.AU) at buy and lifts target to A$2.81/share from A$2.60 after hiking EPS forecasts for fiscal 2015 and 2016 by 8% and 12%, respectively. LHC turned in what Bell Potter says was a pleasing half-year increase in both revenue and earnings that indicate the company continues to grab market share in the implant sector and is growing its cardiac business. It notes LHC has continued to reduce debt and its gearing levels are now quite conservative. LHC last traded at A$2.46. (robb.stewart@wsj.com; @RobbMStewart)

2147 -- JPMorgan concedes its Brent oil-price forecasts are optimistic, and alerts investors to the potential impact on Woodside Petroleum's (WPL.AU) dividend if spot prices don't recover. The broker has penciled in an FY15 dividend of US$1.49/share, but says this could fall as low as 64c if oil prices stay low and Woodside pays out 80% of earnings. JPM has a 2015 Brent forecast of US$82/bbl; prices are currently around US$50. "If we are to carry through those spot assumptions into perpetuity then our discounted cash flow valuation reduces to A$19/share versus current levels of A$42/share," firm says. Woodside will report 4Q output Thursday; JPM forecasts 22.5M BOE, or 94.2M BOE total annual output, comfortably within management's previously stated guidance. WPL last traded at A$36.35. (david.winning@wsj.com; @dwinningWSJ)

2140 -- Troy Resources (TRY.AU) is evolving into a "much larger and more profitable gold producer," and should see its stock price rerated as a result, Bell Potter says. Troy has received the finalized environmental permit for its Karouni gold project -- a "key milestone" for a project that Bell Potter says will "rapidly become an important and significant new low cost gold producing mine for TRY." The firm has a buy rating on the stock, with A$1.05 target. TRY last traded at A$0.585. (rhiannon.hoyle@wsj.com; @RhiannonHoyle)

2137 -- Fairfax Media (FXJ.AU) has likely moved closer to floating its Domain real-estate unit with the acquisition of the outstanding 50% of Metro Media Publishing, although a move isn't likely until 2016 and a sale is likely to come in stages, JPMorgan suggests. The brokerage believes the next steps are likely to be further acquisitions and a continued push to bolster the management capability of Domain. Still, it retains an underweight recommendation on FXJ and A$0.75/share target, arguing the company, excluding Domain, lacks a portfolio of strong digital growth assets. FXJ last traded at A$0.88. (robb.stewart@wsj.com; @RobbMStewart)

2134 -- Iron ore is once again heading lower, weighed by weak sentiment in China's rebar market, ANZ analysts say. Steel prices have fallen in recent days due to weak demand, as cold temperatures stifle sales to the construction industry and tight credit conditions cap any restocking by traders and small steel mills. "Chinese buyers are reluctant to trade ahead of Chinese New Year," ANZ says. Iron ore fell 1.9% Monday to US$68.50/ton, according to The Steel Index. The price hit a multiyear low of US$65.60/ton last month. (rhiannon.hoyle@wsj.com; @RhiannonHoyle)

2131 -- The problem for Australian salmon producer Tassal Group (TGR.AU) is that there's potentially too many fish in the sea in the short term, JPMorgan says. The broker downgrades Tassal to neutral from overweight, saying oversupply in the domestic salmon market will remain a concern unless per capita consumption grows or domestic producers begin exporting again. "If per capita consumption increased at the same rate that it has done for the past 10 years, then the market would be close to equilibrium for the next four years until being undersupplied in FY19," firm says. "Furthermore, global fish and seafood demand continues to increase so that domestic producers could move excess supply in the export market." JPM trims price target by 6.5% to A$4.30. TGR last traded at A$3.90. (david.winning@wsj.com; @dwinningWSJ)

2124 -- Lending competition and an expected pickup in impairment charges are likely to mean lower profit growth for Australia's banks in 2015, although this should be offset by strengthened capital positions and a shift by lenders to more stable sources of funding, Fitch Ratings reckons. While the agency sees potential risk for the banks from a relaxation of lending standards to improve growth, it says the outlook for the sector is stable. Fitch forecasts a relatively steady operating environment for banks this year despite a likely modest decline in Australia's real GDP growth and an elevated unemployment rate. (robb.stewart@wsj.com; @RobbMStewart)

2108 -- The ANZ Truckometer indexes--which use traffic volume data from around New Zealand--suggest that growth will remain solid over the next six months and may have accelerated in 4Q, ANZ Bank senior economist Sharon Zollner says. The heavy-traffic index rose 2.1% in December, reversing some its 2.8% fall in November, while the light-traffic index lifted 1.5% in November after falling 1.4% in November. The heavy-traffic index primarily covers trucks and tends to be contemporaneous with GDP growth, while the light-traffic index covers mainly cars and vans and gives a six-month lead on GDP growth. Zollner says on the whole, the broad message across the Truckometer is consistent with our take on the economy: "solid but moderating."(lucy.craymer@wsj.com; @lucy_craymer)

2052 -- ANZ says investors haven't made up their mind whether lower oil prices are positive for the overall world economy, in the process causing market volatility. "While lower oil prices provide a boon to users, it is a different story for producers," and raising questions about the demand picture. On a macro basis, the investment bank sees New Zealand CPI being near zero for the year through March, versus the 1.1% increase predicted by the central bank a few months ago. (lucy.craymer@wsj.com; @lucy_craymer)

2024 -- The New Zealand dollar was caught up in a commodity-currency selloff overnight which hit it more than the Australian and Canadian dollars, says BNZ. The kiwi is at US$0.7773, versus US$0.7850 late Monday in New Zealand, and the cross is back near its 50-day moving average. For the coming session, ANZ says Chinese trade data will drive the kiwi, which it expects to trade short-term from US$0.7730-0.7800. BNZ, meanwhile, is also keeping close eye on the kiwi against the Aussie as the former now sits at A$0.9528. "A break of A$0.9460 might portent a sharp move toward A$0.90." (lucy.craymer@wsj.com; @lucy_craymer)

(END) Dow Jones Newswires

January 12, 2015 23:10 ET (04:10 GMT)

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DOW JONES
NEWSWIRES

NZD/USD Biased Down on Cross Sales, Risk Aversion -- Market Talk

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0033 GMT [Dow Jones] NZD/USD is likely to trade with a bearish bias Tuesday. The risk-sensitive Kiwi is undermined by NZD sales on a soft NZD/JPY cross amid increased investor risk aversion; weak commodity prices; Kiwi sales on buoyant EUR/NZD, GBP/NZD and AUD/NZD crosses, and on a soft NZD/CHF cross. Daily chart is mixed as MACD bullish; but stochastics turning bearish at overbought levels, bearish outside-day-range pattern completed Monday. Support at 0.7735 (Monday's low); breach would target 0.7711 (Wednesday's low), then 0.7679 (Jan. 6 low). Resistance at 0.7815 (hourly chart); breach would expose upside to 0.7864-0.7870 band (Monday's high-Dec. 11 high). Spot NZD/USD is at 0.7765. (jerry.tan@wsj.com)

Editor: TAG

0020 GMT [Dow Jones] AUD/USD is likely to trade with a soft tone Tuesday, undermined by weak commodity and iron-ore prices (benchmark 62% grade iron fell $1.30 on Monday to $68.50/ton), and Aussie sales on a soft AUD/JPY cross amid increased investor risk aversion. The China-sensitive Aussie is vulnerable to China December trade balance data due Tuesday (exports forecast +6.6% on-year; imports forecast -7% on-year; surplus forecast $49.4 billion). Daily chart is mixed as MACD and stochastics bullish, five-day moving average rising above 15-day moving average; but bearish dark-cloud-cover candlestick pattern completed Monday. Support at 0.8129 (Monday's low); breach would target 0.8103 (Friday's low), then 0.8067 (Thursday's low). Resistance at 0.8206 (hourly chart); breach would expose upside to 0.8254 (Monday's high), then to 0.8274 (Dec. 15 high). Spot AUD/USD is at 0.8152. (jerry.tan@wsj.com)

Editor: TAG

2358 GMT [Dow Jones]--EUR/JPY is likely to trade in a lower range Tuesday, undermined by flows to haven yen amid increased investor risk aversion. Daily chart is negative-biased as MACD bearish, stochastics stays suppressed at oversold levels; five- and 15-day moving averages declining. Support at 139.76 (Monday's low); breach would expose downside to 137.80 (76.4% Fibonacci retracement of 134.11-149.72 Oct. 16-Dec. 8 advance), then to 137.00 (Oct. 30 low). Resistance at 140.88 (Monday's high); breach would temper negative near-term view, targeting 141.36 (Friday's high). Spot EUR/JPY is at 139.96. (jerry.tan@wsj.com)

2356 GMT [Dow Jones] -- If it ain't broke, don't fix it, the adage goes. And when it comes to gold miners, Macquarie seems to agree. It has been focused on low-cost ASX miners with Australian-based assets, a strategy it says "has paid off handsomely." "Since the beginning of December, our preferred picks, Northern Star (NST.AU), Regis Resources (RRL.AU), Saracen Minerals (SAR.AU) and Evolution Mining (EVN.AU) are up 81%, 69%, 57% and 93%, respectively," it says. "All four stocks comfortably outperformed the ASX gold index, which was up 41% over the same period." So it says it is sticking with that approach, although it will be wary of betting on any of those whose valuations are starting to appear stretched. "While the strong run in RRL and NST has seen price targets for both stocks either achieved or exceeded, we still see value in SAR, EVN and Doray Minerals (DRM.AU)," it says. (rhiannon.hoyle@wsj.com; Twitter: @RhiannonHoyle)

2348 GMT [Dow Jones] Offshore accounts at six foreign brokerages place net sell orders for 4.8 million Japanese shares overnight, according to traders. The selling may be negative for the market at the open, although the yen value basis of the figures is unknown. Sell orders total 11.8 million shares, with buy orders amounting to 7.0 million shares. (bradford.frischkorn@wsj.com)

2337 GMT [Dow Jones]--The high multiple paid by Fairfax Media (FXJ.AU) for the outstanding 50% in Metro Media Publishing only leads to slight cuts in Deutsche Bank's earnings forecasts. It trims its EPS estimate for FY15 by 0.1% to A$6.12; FY16 by 0.4% to A$6.21; and FY17 by 0.4% to A$6.64. The deal continues FXJ's expansion of its Domain real-estate arm at a price that represents about 10.6 times FY15 enterprise value to

Ebitda, the brokerage says. It keeps FXJ at hold with a A$0.90/share target. FXJ was up 1.7% at A$0.895. (robb.stewart@wsj.com)

6:36 p.m. EST -- Cigna Corp. is seeing enrollment in the health-law exchanges that so far appears on average "slightly younger, and I'll underscore slightly," than its enrollees last year, said CEO David Cordani in an interview. The new enrollees also appear to be choosing slightly leaner plans, with a bit more opting for bronze coverage and a bit fewer for gold, compared to 2014, he said. Cigna is selling exchange plans in eight states, up from five in 2014. Cigna's overall individual-business revenue should be "somewhere around the same as last year," Mr. Cordani said. (anna.mathews@wsj.com)

6:36 p.m. ET [Dow Jones] In addition to the closely-watched news about the harvest of major world commodity crops like soybeans and corn in Monday's USDA supply and demand report, the agency also updated forecasts for meat production...and it's looking like there's going to be a larger helping of U.S. meat and poultry in 2015. Domestic pork production in particular is projected to rise 4.5% this year compared to 2014, and chicken meat could rise 2.7%, while beef supplies are expected to fall 1.7%. The data added to concerns about a wave of supplies in the U.S. lean-hog futures market, where prices have fallen to the lowest levels in over two years. (Kelsey.gee@wsj.com, @kelseykgee)

6:28 p.m. ET [Dow Jones] Cigna Corp. hasn't struck a deal to favor one of the dueling pharmaceutical options for treating hepatitis C, Harvoni and Sovaldi from Gilead Sciences Inc. or AbbVie Inc.'s Viekira Pak, CEO David Cordani said in an interview. Mr. Cordani said the insurer's clinical experts so far felt that there was still debate about which drugs should be preferred for which patients. "They want to have both options now," he said. But, he said, as clinical evidence emerges, their view could change. Hepatitis C is one of the fastest-growing pharmaceutical markets.

6:17 p.m. ET [Dow Jones] Goldman Sachs would be just as well served as J.P. Morgan to break up into three separate units--investment banking, trading, and wealth/asset management, said Rafferty analyst Dick Bove, in reference to a Goldman note last week calling for J.P. Morgan to be broken up. The same regulatory forces--rising capital requirements pushing for banks to scale down--afflict both banks, he argues. While Mr. Bove does not actually believe Goldman should break up--there is no evidence to show smaller banking units would be more effective, he says--it is important to keep in mind the "old lesson, oft repeated, about what people who live in glass houses should or shouldn't do." (daniel.huang3@wsj.com, @huangplan)

6:08 p.m. ET [Dow Jones] Bernstein research attempts to debunk the conventional wisdom that lower prices at the pump will bring people to spend more money on discretionary things like clothes and restaurants. Analysts say their research shows that while it helps consumer sentiment, that doesn't trickle down to consumers' actions. Consumer spending is no better during period of lower energy prices, a Bernstein research note says, but despite what takes place in reality, many consumer-related stocks are being rewarded by the stock market, perhaps because investors are factoring in lower gas prices as a positive, creating a self-fulfilling prophecy. (annie.gasparro@wsj.com; @annie_gasparro)

2303 GMT Fresh falls in global oil and iron-ore prices will likely weigh on the commodity-heavy Australian share market Tuesday. IG is forecasting the S&P/ASX 200 to open 32 points lower at 5390, with energy stocks a drag. Brent crude-oil prices settled below US$50/bbl for the first time in nearly six years overnight, after Goldman Sachs Group slashed its oil-price outlook. Mining companies including BHP Billiton (BHP) and Fortescue Metals (FMG.AU) may also come under pressure after the iron-ore price fell a further 1.24% and copper prices briefly hit a five-year-low on the London Metal Exchange. It comes after energy stocks were sold heavily on Wall Street. The Dow Jones Industrial Average fell 0.5% Monday, while the S&P500 index lost 0.8%. (vera.sprothen@wsj.com)

(END) Dow Jones Newswires

January 12, 2015 19:33 ET (00:33 GMT)

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DOW JONES
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EUR/JPY Biased Down Amid Risk Aversion -- Market Talk

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2358 GMT [Dow Jones]--EUR/JPY is likely to trade in a lower range Tuesday, undermined by flows to haven yen amid increased investor risk aversion. Daily chart is negative-biased as MACD bearish, stochastics stays suppressed at oversold levels; five- and 15-day moving averages declining. Support at 139.76 (Monday's low); breach would expose downside to 137.80 (76.4% Fibonacci retracement of 134.11-149.72 Oct. 16-Dec. 8 advance), then to 137.00 (Oct. 30 low). Resistance at 140.88 (Monday's high); breach would temper negative near-term view, targeting 141.36 (Friday's high). Spot EUR/JPY is at 139.96. (jerry.tan@wsj.com)

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2230 GMT - Australian consumer confidence rose 0.3% to an index reading of 112 in the week ending January 11, building on a moderate rise of 1.4% in the last week, according to a survey by ANZ. However, it still leaves confidence weak after falls in late 2014 on the back of soft economic growth data in the third quarter and a report showing a sharp deterioration in the government's budget balance amid a collapse in commodity prices. "The lack of momentum in consumer confidence remains disappointing especially given lower gasoline prices and the usual seasonal uplift in January). (james.glynn@wsj.com; @JamesGlynnWSJ)

(END) Dow Jones Newswires

January 12, 2015 19:01 ET (00:01 GMT)

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BARRON'S

MARKET WEEK

Stocks --- The Trader: Volatility and Uncertainty Mark 2015's Start

By Vito J. Racanelli
1,960 字
2015 年 1 月 12 日
Barron's
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The stock market was whipsawed last week by volatile share prices, finishing 0.7% lower by Friday's close. Investors can't seem to decide if the continuing plunge in oil prices is good or bad for stocks. That uncertainty was partly reflected in half-hearted activity, with volume in the downdraft low and on the rebound even lower, a not particularly encouraging technical sign.

Oil fell 8%, hitting a 52-week low of $47.93 a barrel by Tuesday, and stocks followed. But equities revived when crude edged up later in the week to $48.37. That wasn't enough to help energy stocks, the worst-performing sector, down 3% last week.

Investors got a lift from comments by Charles Evans, president of the Chicago Federal Reserve. Late Wednesday, he said he wasn't in favor of raising interest rates until 2016. The Fed is expected to begin hiking in mid-2015.

Last week, the Dow Jones Industrial Average gave up 96 points, or 0.5%, to 17,737.37; and the Standard & Poor's 500 index lost 13, or 0.65%, to 2,044.81. The Nasdaq Composite index retreated 23, or 0.5%, to 4704.07. Bond investors took Evan's remark to heart, as the yield on the ten-year U.S. note fell below 2% to 1.975%. (Bond prices move inversely to yields.)

"The V-shaped week made it seem like we had a full year's worth volatility in one week," says Brian Reynolds, chief market strategist at Rosenblatt Securities. The downside and upside last week was less vigorous than October's big drop and rebound, says Reynolds. "That tells us there is less investor conviction." He expects more "violent" ups and downs this year.

Charles Schwab chief investment strategist Liz Ann Sonders also looks for more pullbacks this year and even perhaps a 10% correction, though she doesn't expect that to "upend" the six-year-old bull market. For some investors at this point in the bull, the "fear of missing out" that fuelled previous snapback rebounds and kept corrections mild is giving way to "fear of losing money." The willingness to buy on the dips is not as strong as it was, she avers.

Contributing to the rocky 2015 start is uncertainty over the Fed's path to higher interest rates, she says. Unlike previous Fed tightening courses, this time it's started from an artificially low level and with an inflated balance sheet.

In the background, there are some tangential factors, adds Reynolds. Worries remain that the European Central Bank will fail to produce a quantitative easing plan later this month that meets investor expectations.

And fears of Greece exiting the European Union could deepen soon. Sunday, Jan. 25, sees a parliamentary election in Greece. The leftist Syriza party, which opposes the country's international bailout plan and austerity measures, has the lead in pre-election surveys.

Discovering Value

Most everyone knows the Discovery Channel, which produces some of the most popular TV programming with some 447 million subscribers worldwide. Less popular is the stock of Discovery Communications (ticker: DISCA), which owns the channel and others, including Animal Planet and TLC.

At $32.03 the shares are off about 30% from highs of $45 one year ago. The $21.5 billion market-cap firm has been hit by various concerns, causing analysts to slash earnings estimates in half. The stock looks inexpensive now; it could see a 25% or more gain over the next 18 to 24 months.

There are clearly some head winds. With 40% of sales overseas, the strong dollar will hurt. And 51% of revenue comes from traditional TV advertising, which remains soft. Moreover, the cable industry is consolidating, giving cable firms leverage with content providers. Pay-TV subscriptions are down because more folks are doing other things, like watching streamed programs over the Internet. This could also lower the affiliate fees cable companies pay programmers for shows they carry.

Most of these issues are industry concerns. And they are less threatening than the stock drop would suggest. "All the industry concerns are priced into the stock. This is a diamond in the rough," argues Channing Smith, a portfolio manager at Capital Advisors. His company has been buying Discovery shares in recent months to participate in the long-term growth of the middle class around the world, he says.

Smith and other bulls expect the domestic business, suffering the most from weak advertising, to recover over time. Meanwhile, the international division continues to grow fast. In the third quarter, overall sales rose 14% to $1.6 billion, as a 32% international rise overcame a 1% U.S. sales decline.

Smith still looks for 15%-to-20% earnings per share growth and notes that the company is working to improve the domestic situation. For example, it hired Rich Ross, who helped broaden Disney's audience around the world. And Discovery has put together new channels for future growth, such as Investigation Discovery and the Oprah Winfrey Network.

There are other attractions. Discovery owns the majority of its content, which, because of its nature (pardon the pun) is cheaper to produce than other programming, has international appeal, and a loyal fan base. The content is easily translatable.

And since they produce their own content, Smith says, "the migration to streaming, for example, isn't a long-term problem for Discovery."

With the broad market valued pretty highly, this is a significantly cheap stock. The consensus EPS projection this year is $2.13 compared with an expected $1.79 for 2014. That's a price/earnings ratio of 15, well below the historical median P/E of 28.

If the U.S. performs even slightly better, "this stock gets re-rated to the high $30s," Smith says. Further down the road, he thinks Discovery can earn about $2.50 in 2016 and the stock could top $40.

Discovery has a good track record of mostly steady earnings and sales growth. Debt is $6.5 billion, or 50% of total capital.

One potential caveat is that Discovery is effectively controlled by two shareholders, the closely held publisher Advance Publications and longtime cable titan John Malone. But the latter's stellar record of creating value for shareholders speaks for itself.

Network Difficulty

Another stock that has been beaten down for its significant foreign exposure is Ubiquiti Networks (UBNT), where 65% of sales came from outside North America in the September-ended fiscal 2015 first quarter. Though shares of this network equipment provider have fallen about 50% to $29.60, they could fall further if growth continues to slow.

Ubiquiti made a name for itself with low-priced networking gear, like base stations, for wireless Internet service providers, or WISPs -- typically mom-and-pop carriers using them in remote areas underserved by traditional wired networks.

In the 2015 first fiscal quarter, service-provider revenue was 71% of the total, much of that in emerging market countries. Hence concern about the strong dollar. The rest came from its enterprise division for small business, such as wireless local area network, or LAN, products.

Revenue jumped 78% in fiscal 2014, ended in June, to $572.5 million, and net income almost doubled to $177 million or $2.02. But the company will be hard pressed to match that growth in the future. Beyond the dollar issue, Ubiquiti's big moneymaker wireless-service-provider business faces stiff head winds. Ubiquiti's success in that area continues to attract competition, but, more importantly, what's less recognized is that the addressable market is getting saturated.

The great majority of U.S. households have access to Internet service from traditional broadband providers, like cable, yet in 40 states WISP access is already 20% or more of total households, notes Rob Lopez, a director at Vertical Group, a boutique technology research outfit. In 20 states, including California and Texas, it's 50% or more. Rural broadband access across a number of Eastern European countries is around 75% or greater.

"The unmet need is being met," he says, by competitively priced alternatives such as those from privately held Cambium Networks, MikroTik, and Mimosa Networks, which recently entered the business.

Bulls believe Ubiquiti can replicate its WISP prowess in its smaller enterprise business. However, it faced little competition when it entered WISP markets years ago, while wireless LAN has entrenched players, many bigger and with better resources to compete away Ubiquiti's low-cost advantage. They include Aruba Networks (ARUN), D-Link (2332.Taiwan), Ruckus Wireless (RKUS), which recently introduced its Xclaim Wi-Fi system for small business at a price comparable to Ubiquiti's.

As San Jose-based Ubiquiti gets bigger and expands its product line, its historic price advantage will likely erode. Lopez notes that the company's 45% gross margin is average for a commoditized hardware business. Yet its relatively high 34% operating margin is more typical of well-run software companies.

Rival hardware operating margins are more like 20%, according to a recent Goldman Sachs report. How so? Ubiquiti spends just seven cents of every sales dollar on research and development, compared with a median 37 cents at peers. In SG&A, its 4% of revenue compared with 34%, respectively.

This comes courtesy of having no direct sales force, as it sells through a limited number of distributors. Consequently, Ubiquiti has limited visibility of inventory levels.

As the company gets bigger, it will be difficult to continue to dominate and release new products in wireless Internet, ramp up newer wireless LAN offerings, and sustain profit levels, even as it spends so much less. "You can't be in all these places spending a fraction of what your rivals spend. We don't believe it can sustain software-like margins in a commoditized hardware business. Costs go up and earnings down," Lopez adds.

Ubiquiti shares remain pricey, though year-over-year quarterly sales growth has slowed for four consecutive quarters, to 16% in 2015's fiscal first quarter from 110% in the year-prior period. On an enterprise value to sales basis, Ubiquiti trades at 3.3 times, compared with two times for rivals. Ubiquiti didn't respond to a request for comment.

Given industry dynamics, it's hard to believe Ubiquiti can remain as efficient as it has been. Either R&D and SG&A costs rise, or market share will be lost. That isn't completely reflected in the stock.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17737.37	-95.62	-0.54
DJTransportation	8858.15	-240.83	-2.65
DJUtilities	623.61	+2.00	+0.32
DJ65Stocks	6406.87	-66.02	-1.02
DJUSMarket	513.25	-3.44	-0.66
NYSEComp.	10711.42	-119.50	-1.10
NYSEMKTComp.	2390.31	-37.66	-1.55
S&P500	2044.81	-13.39	-0.65
S&PMidCap	1441.28	-10.03	-0.69
S&PSmallCap	680.74	-9.43	-1.37
Nasdaq	4704.07	-22.75	-0.48
ValueLine(arith.)	4612.09	-56.69	-1.21
Russell2000	1185.68	-13.12	-1.09
DJUSTSMFloat	21264.42	-147.30	-0.69

	Last Week	Week Earlier
NYSE		
Advances	1,512	1,355
Declines	1,748	1,893
Unchanged	29	39
NewHighs	413	413
NewLows	202	86
AvDailyVol(mil)	3,819.8	2,504.7

Dollar (Finexspotindex)	91.92	91.16
T-Bond (CBTnearbyfutures)	147-170	145-160
Crude Oil (NYMlightsweetcrude)	48.36	52.69
Inflation KR-CRB (FuturesPriceIndex)	225.57	228.41
Gold (CMXnearbyfutures)	1216.00	1186.00

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DOW JONES
NEWSWIRES

Macquarie Sticks to Guns on Australian Gold Miners -- Market Talk

1,487 字
2015 年 1 月 12 日 23:58
Dow Jones Institutional News
DJDN
英文

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2222 GMT - Bell Potter is sticking with its buy call and A$4.00/share price target on Altium (ALU.AU), despite the electronics software maker reporting weaker 2Q sales than the broker had forecast. Altium said its quarterly sales rose 6% to US$20.5 million, falling short of Bell Potter's US$23.2 million forecast. "It is unclear what exactly drove the weaker-than-expected sales number but it is likely to have been a combination of lower-than-expected license and subscription sales partly driven by weakness in the European economy," analyst Chris Savage says. Altium typically makes most of its revenue in the second half of its financial year, and this has persuaded Bell Potter to keep its earnings forecasts unchanged for now. ALU last traded at A$2.84. (david.winning@wsj.com; @dwinningWSJ)

(END) Dow Jones Newswires

January 12, 2015 18:58 ET (23:58 GMT)

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DOW JONES
NEWSWIRES

Raised Forecast For Pork Production Adds to Supply Woes -- Market Talk

1,505 字
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(END) Dow Jones Newswires

January 12, 2015 18:37 ET (23:37 GMT)

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DOW JONES
NEWSWIRES

Australia Shares Set to Open Lower, Miners Under Pressure -- Market Talk

163 字
2015 年 1 月 12 日 23:24
Dow Jones Newswires Chinese (English)
RTNW
英文

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(END) Dow Jones Newswires

12-01-15 2324GMT

文件 RTNW000020150112eb1c000js

DOW JONES
NEWSWIRES

JPM Not Only Bank Affected by Regulatory Forces, Rafferty Says -- Market Talk

1,524 字
2015 年 1 月 12 日 23:17
Dow Jones Institutional News
DJDN
英文

6:17 p.m. ET [Dow Jones] Goldman Sachs would be just as well served as J.P. Morgan to break up into three separate units--investment banking, trading, and wealth/asset management, said Rafferty analyst Dick Bove, in reference to a Goldman note last week calling for J.P. Morgan to be broken up. The same regulatory forces--rising capital requirements pushing for banks to scale down--afflict both banks, he argues. While Mr. Bove does not actually believe Goldman should break up--there is no evidence to show smaller banking units would be more effective, he says--it is important to keep in mind the "old lesson, oft repeated, about what people who live in glass houses should or shouldn't do." (daniel.huang3@wsj.com, @huangplan)

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(END) Dow Jones Newswires

January 12, 2015 18:17 ET (23:17 GMT)

文件 DJDN000020150112eb1c00432

DOW JONES
NEWSWIRES

Australia Shares Set to Open Lower, Miners Under Pressure -- Market Talk

168 字
2015 年 1 月 12 日 23:04
Dow Jones Institutional News
DJDN
英文

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(END) Dow Jones Newswires

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文件 DJDN000020150112eb1c0042i

DOW JONES
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1,469 字
2015 年 1 月 12 日 23:04
Dow Jones Institutional News
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英文

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15:52 EST - ANZ says investors haven't made up their mind whether lower oil prices are positive for the overall world economy, in the process causing market volatility. "While lower oil prices provide a boon to users, it is a different story for producers," and raising questions about the demand picture. On a macro basis, the investment bank sees New Zealand CPI being near zero for the year through March, versus the 1.1% increase predicted by the central bank a few months ago. (lucy.craymer@wsj.com; @lucy_craymer)

15:50 EST - While US private sector job growth shows strength, gains in government-sector employment continue to lag, says Rockefeller Institute of Government. State and local government employment remains below pre-recession levels, with state government down 1.1% and local government down 2.3% from Dec. 2007. Monthly employment data for December show "very weak growth" with state governments adding 7,000 jobs and local governments adding 4,000 jobs compared to the prior month. "The picture remains rather gloomy for state and local governments," Rockefeller analysts say. (mark.peters@wsj.com; @mrmmpeters)

(END) Dow Jones Newswires

January 12, 2015 18:04 ET (23:04 GMT)

文件 DJDN000020150112eb1c00409

The Trader: Volatility And Uncertainty Mark 2015's Start -- Barron's

2,044 字
2015 年 1 月 10 日 05:09
Dow Jones Institutional News
DJDN
M3
英文

(FROM BARRON'S 1/12/15)
By Vito J. Racanelli

The stock market was whipsawed last week by volatile share prices, finishing 0.7% lower by Friday's close. Investors can't seem to decide if the continuing plunge in oil prices is good or bad for stocks. That uncertainty was partly reflected in half-hearted activity, with volume in the downdraft low and on the rebound even lower, a not particularly encouraging technical sign.

Oil fell 8%, hitting a 52-week low of $47.93 a barrel by Tuesday, and stocks followed. But equities revived when crude edged up later in the week to $48.37. That wasn't enough to help energy stocks, the worst-performing sector, down 3% last week.

Investors got a lift from comments by Charles Evans, president of the Chicago Federal Reserve. Late Wednesday, he said he wasn't in favor of raising interest rates until 2016. The Fed is expected to begin hiking in mid-2015.

Last week, the Dow Jones Industrial Average gave up 96 points, or 0.5%, to 17,737.37; and the Standard & Poor's 500 index lost 13, or 0.65%, to 2,044.81. The Nasdaq Composite index retreated 23, or 0.5%, to 4704.07. Bond investors took Evan's remark to heart, as the yield on the ten-year U.S. note fell below 2% to 1.975%. (Bond prices move inversely to yields.)

"The V-shaped week made it seem like we had a full year's worth volatility in one week," says Brian Reynolds, chief market strategist at Rosenblatt Securities. The downside and upside last week was less vigorous than October's big drop and rebound, says Reynolds. "That tells us there is less investor conviction." He expects more "violent" ups and downs this year.

Charles Schwab chief investment strategist Liz Ann Sonders also looks for more pullbacks this year and even perhaps a 10% correction, though she doesn't expect that to "upend" the six-year-old bull market. For some investors at this point in the bull, the "fear of missing out" that fuelled previous snapback rebounds and kept corrections mild is giving way to "fear of losing money." The willingness to buy on the dips is not as strong as it was, she avers.

Contributing to the rocky 2015 start is uncertainty over the Fed's path to higher interest rates, she says. Unlike previous Fed tightening courses, this time it's started from an artificially low level and with an inflated balance sheet.

In the background, there are some tangential factors, adds Reynolds. Worries remain that the European Central Bank will fail to produce a quantitative easing plan later this month that meets investor expectations.

And fears of Greece exiting the European Union could deepen soon. Sunday, Jan. 25, sees a parliamentary election in Greece. The leftist Syriza party, which opposes the country's international bailout plan and austerity measures, has the lead in pre-election surveys.

Discovering Value

Most everyone knows the Discovery Channel, which produces some of the most popular TV programming with some 447 million subscribers worldwide. Less popular is the stock of Discovery Communications (ticker: DISCA), which owns the channel and others, including Animal Planet and TLC.

At $32.03 the shares are off about 30% from highs of $45 one year ago. The $21.5 billion market-cap firm has been hit by various concerns, causing analysts to slash earnings estimates in half. The stock looks inexpensive now; it could see a 25% or more gain over the next 18 to 24 months.

There are clearly some head winds. With 40% of sales overseas, the strong dollar will hurt. And 51% of revenue comes from traditional TV advertising, which remains soft. Moreover, the cable industry is consolidating, giving cable firms leverage with content providers. Pay-TV subscriptions are down because more folks are doing other things, like watching streamed programs over the Internet. This could also lower the affiliate fees cable companies pay programmers for shows they carry.

Most of these issues are industry concerns. And they are less threatening than the stock drop would suggest. "All the industry concerns are priced into the stock. This is a diamond in the rough," argues Channing Smith, a portfolio manager at Capital Advisors. His company has been buying Discovery shares in recent months to participate in the long-term growth of the middle class around the world, he says.

Smith and other bulls expect the domestic business, suffering the most from weak advertising, to recover over time. Meanwhile, the international division continues to grow fast. In the third quarter, overall sales rose 14% to $1.6 billion, as a 32% international rise overcame a 1% U.S. sales decline.

Smith still looks for 15%-to-20% earnings per share growth and notes that the company is working to improve the domestic situation. For example, it hired Rich Ross, who helped broaden Disney's audience around the world. And Discovery has put together new channels for future growth, such as Investigation Discovery and the Oprah Winfrey Network.

There are other attractions. Discovery owns the majority of its content, which, because of its nature (pardon the pun) is cheaper to produce than other programming, has international appeal, and a loyal fan base. The content is easily translatable.

And since they produce their own content, Smith says, "the migration to streaming, for example, isn't a long-term problem for Discovery."

With the broad market valued pretty highly, this is a significantly cheap stock. The consensus EPS projection this year is $2.13 compared with an expected $1.79 for 2014. That's a price/earnings ratio of 15, well below the historical median P/E of 28.

If the U.S. performs even slightly better, "this stock gets re-rated to the high $30s," Smith says. Further down the road, he thinks Discovery can earn about $2.50 in 2016 and the stock could top $40.

Discovery has a good track record of mostly steady earnings and sales growth. Debt is $6.5 billion, or 50% of total capital.

One potential caveat is that Discovery is effectively controlled by two shareholders, the closely held publisher Advance Publications and longtime cable titan John Malone. But the latter's stellar record of creating value for shareholders speaks for itself.

Network Difficulty

Another stock that has been beaten down for its significant foreign exposure is Ubiquiti Networks (UBNT), where 65% of sales came from outside North America in the September-ended fiscal 2015 first quarter. Though shares of this network equipment provider have fallen about 50% to $29.60, they could fall further if growth continues to slow.

Ubiquiti made a name for itself with low-priced networking gear, like base stations, for wireless Internet service providers, or WISPs -- typically mom-and-pop carriers using them in remote areas underserved by traditional wired networks.

In the 2015 first fiscal quarter, service-provider revenue was 71% of the total, much of that in emerging market countries. Hence concern about the strong dollar. The rest came from its enterprise division for small business, such as wireless local area network, or LAN, products.

Revenue jumped 78% in fiscal 2014, ended in June, to $572.5 million, and net income almost doubled to $177 million or $2.02. But the company will be hard pressed to match that growth in the future. Beyond the dollar issue, Ubiquiti's big moneymaker wireless-service-provider business faces stiff head winds. Ubiquiti's success in that area continues to attract competition, but, more importantly, what's less recognized is that the addressable market is getting saturated.

The great majority of U.S. households have access to Internet service from traditional broadband providers, like cable, yet in 40 states WISP access is already 20% or more of total households, notes Rob Lopez, a director at Vertical Group, a boutique technology research outfit. In 20 states, including California and Texas, it's 50% or more. Rural broadband access across a number of Eastern European countries is around 75% or greater.

"The unmet need is being met," he says, by competitively priced alternatives such as those from privately held Cambium Networks, MikroTik, and Mimosa Networks, which recently entered the business.

Bulls believe Ubiquiti can replicate its WISP prowess in its smaller enterprise business. However, it faced little competition when it entered WISP markets years ago, while wireless LAN has entrenched players, many bigger and with better resources to compete away Ubiquiti's low-cost advantage. They include Aruba Networks (ARUN), D-Link (2332.Taiwan), Ruckus Wireless (RKUS), which recently introduced its Xclaim Wi-Fi system for small business at a price comparable to Ubiquiti's.

As San Jose-based Ubiquiti gets bigger and expands its product line, its historic price advantage will likely erode. Lopez notes that the company's 45% gross margin is average for a commoditized hardware business. Yet its relatively high 34% operating margin is more typical of well-run software companies.

Rival hardware operating margins are more like 20%, according to a recent Goldman Sachs report. How so? Ubiquiti spends just seven cents of every sales dollar on research and development, compared with a median 37 cents at peers. In SG&A, its 4% of revenue compared with 34%, respectively.

This comes courtesy of having no direct sales force, as it sells through a limited number of distributors. Consequently, Ubiquiti has limited visibility of inventory levels.

As the company gets bigger, it will be difficult to continue to dominate and release new products in wireless Internet, ramp up newer wireless LAN offerings, and sustain profit levels, even as it spends so much less. "You can't be in all these places spending a fraction of what your rivals spend. We don't believe it can sustain software-like margins in a commoditized hardware business. Costs go up and earnings down," Lopez adds.

10 Jan 2015 00:09 ET The Trader: Volatility And Uncertainty Mark -2-

Ubiquiti shares remain pricey, though year-over-year quarterly sales growth has slowed for four consecutive quarters, to 16% in 2015's fiscal first quarter from 110% in the year-prior period. On an enterprise value to sales basis, Ubiquiti trades at 3.3 times, compared with two times for rivals. Ubiquiti didn't respond to a request for comment.

Given industry dynamics, it's hard to believe Ubiquiti can remain as efficient as it has been. Either R&D and SG&A costs rise, or market share will be lost. That isn't completely reflected in the stock.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17737.37	-95.62	-0.54
DJTransportation	8858.15	-240.83	-2.65
DJUtilities	623.61	+2.00	+0.32
DJ65Stocks	6406.87	-66.02	-1.02
DJUSMarket	513.25	-3.44	-0.66
NYSEComp.	10711.42	-119.50	-1.10
NYSEMKTComp.	2390.31	-37.66	-1.55
S&P500	2044.81	-13.39	-0.65
S&PMidCap	1441.28	-10.03	-0.69
S&PSmallCap	680.74	-9.43	-1.37
Nasdaq	4704.07	-22.75	-0.48
ValueLine(arith.)	4612.09	-56.69	-1.21
Russell2000	1185.68	-13.12	-1.09
DJUSTSMFloat	21264.42	-147.30	-0.69

	Last Week	Week Earlier
NYSE		
Advances	1,512	1,355
Declines	1,748	1,893
Unchanged	29	39
NewHighs	413	413

NewLows	202	86
AvDailyVol(mil)	3,819.8	2,504.7
Dollar (Finexspotindex)	91.92	91.16
T-Bond (CBTnearbyfutures)	147-170	145-160
Crude Oil (NYMlightsweetcrude)	48.36	52.69
Inflation KR-CRB (FuturesPriceIndex)	225.57	228.41
Gold (CMXnearbyfutures)	1216.00	1186.00

(END) Dow Jones Newswires

January 10, 2015 00:09 ET (05:09 GMT)

文件 DJDN000020150110eb1a000a2

DOW JONES
NEWSWIRES

Will Starbucks COO Come Back? -- Barron's Blog

By Johanna Bennett
481 字
2015 年 1 月 9 日 18:29
Dow Jones Institutional News
DJDN
英文

Is Starbucks (SBUX) COO Troy Alstead gone for good?

JP Morgan analyst John Ivankoe hints at just that in a note published today. He remarks that CEO Howard Schultz comments regarding Alstead's decision to take an unpaid leave of absence to spend more time with his wife and kids "read as a goodbye with nothing suggesting the waiting of Troy's return back to the company."

As Ivankoe himself suggests, you can interpret Schultz's comments from today's press release for yourself:

Looking back on the 23 years we spent together side-by-side as Starbucks colleagues, I can recall so many memorable moments and accomplishments in which Troy can take pride in a job well done. Troy is a beloved Starbucks partner and has played an invaluable role in our growth as an enterprise and in the development of our culture as a performance-driven company balanced with humanity, which is unique for our industry. Troy's humanity and humility will be missed and we wish him the best.

Alstead's departure, announced earlier today, sent a ripple through the investment community, pushing the shares down 3.2% to $79.88 in recent trading.

Starbucks offers sabbaticals of as long as 12 months to employees who want to travel, pursue additional education or spend time with family. Such claims are often met with a skeptical eye roll from Wall Street. And earlier today, a company spokesman assured Bloomberg that Alstead, widely considered a contender to succeed Schultz as CEO, isn't departing because of his health or the company's performance.

In fact, Alstead had considered taking a break in 2008, but was convinced by Shultz to stay as the company was reeling from a profit slump and store closing. And in an email to employees, Alstead wrote "the next year is for my wife and children, to give them my dedicated time and attention."

J.P. Morgan's Ivankoe, meanwhile, contends the mid to high $70 range remains a good entry point for the stock. He writes:

Our $89 price target on SBUX represents 24x C16 EPS of $3.71...To us, Starbucks classically fits a long term core growth investment profile. The 24x multiple we use is modestly above the company's 7-year 22x average but slightly below its historical 8-point multiple premium to the S&P500.

Starbucks has climbed 6% over the past 12 months, lagging gains by the S&P 500.

More at Barron's Stocks to Watch blog,
http://blogs.barrons.com/stockstowatchtoday/
Access Investor Kit for JPMorgan Chase & Co.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US46625H1005

Access Investor Kit for Starbucks Corp.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US8552441094

(END) Dow Jones Newswires

January 09, 2015 13:29 ET (18:29 GMT)

文件 DJDN000020150109eb19002yz

Will Starbucks COO Come Back?
Barron's Blogs, 2015 年 1 月 9 日 18:29, 423 字, By Johanna Bennett, (英文)
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文件 WCBBE00020150109eb19001md

DOW JONES
NEWSWIRES

Oil Bounce, Steady FOMC Lifts Sentiment Overnight -- Market Talk

175 字
2015 年 1 月 8 日 07:55
Dow Jones Institutional News
DJDN
英文

0755 GMT [Dow Jones]--The markets settled down a little overnight, helped by a small rebound in oil prices which lifted equities, and the December FOMC meeting minutes which suggested a Fed rate hike is not likely before 2Q. The S&P500 closed up 1% and the Nikkei followed up with a 1.7% gain, which gave USD/JPY a strong bid tone while EUR/USD languishes down at 9-year lows. Elsewhere, NZD traded firmer in the wake of a strong Fonterra dairy auction, while AUD rallied on above-forecast building approvals data. Up ahead the BoE MPC January rate decision is expected to be a non event with rates and QE left unchanged and no statement expected. Already out, German manufacturing orders fell sharply in November, down 2.4% vs -0.8% expected. gary.stride@wsj.com *

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

(END) Dow Jones Newswires

January 08, 2015 02:55 ET (07:55 GMT)

文件 DJDN000020150108eb18000lf

DOW JONES
NEWSWIRES

Japan's Bull Run To Gather Pace In 2015 -- Barron's Asia

By Thomas Streater
1,221 字
2015 年 1 月 8 日 04:38
Dow Jones Institutional News
DJDN
英文

Go long Japan -- and then some.

That seems to the common refrain among investors who have gazed into their crystal ball to divine the best opportunities to make money in 2015. Emboldened by a roughly 20% rally in the Nikkei 225 Index since mid-October, analysts expect the Bank of Japan's ultra-loose monetary policies will help fuel further gains this year.

The victory of Prime Minister Shinzo Abe in December's snap election has bolstered hopes policymakers will persist in their muscular display of ultra-loose policies to revitalize the moribund economy, which contracted 1.9% year-on-year in the third quarter. The government and the central bank have shown they mean business when it comes to resurrecting the fortunes of the world's third largest economy, with a one-two punch consisting of a JPY3.5 trillion ($29 billion) stimulus package in late December following the Bank of Japan's surprise decision in October to inject JPY80 trillion a year into the financial system mainly through the purchase of government bonds.

There is a familiarity to the playbook being adopted by Japan's policymakers. The embrace of aggressive unconventional monetary policy by the U.S. Federal Reserve helped engineer a recovery in the world's largest economy after the biggest financial crisis since the Great Depression. Zero interest rates and the use of quantitative easing -- or purchases of government bonds by the central bank -- led to record low interest rates for U.S. homeowners and businesses. The prolonged period of low interest rates also provided certainty to businesses as they made long term plans. Japan may have been the first major economy to adopt quantitative easing in 2001, but the Fed's success has inspired the nation's policymakers to be even more aggressive in their ambitions to ward off boost growth and ward off deflation.

The impact of the more aggressive monetary policies by Bank of Japan governor Haruhiko Kuroda has been most evident in the currency markets. The Japanese yen slumped from a low of JPY101 against the U.S. dollar in February to around JPY120, its lowest level since 2007, at the end of 2014. This has been a boon for Japan's export oriented companies as it makes their goods more competitively priced in global markets. Sony rallied 35% in 2014, while carmakers Nissan and Toyota gained 20% and 18% respectively. Many currency strategists expect the Japanese yen will weaken in 2015 due to the Bank of Japan's policies and the strengthening U.S. dollar.

Given the combination of aggressive monetary and fiscal policy, coupled with a weak yen, it's perhaps little surprise that many investors are upbeat about the prospects for Japan's stocks in 2015. Again, there appears to be hopes that Japan can replicate what happened in the U.S., where the expansion of the Fed's balance sheet was accompanied by a rise in U.S. stocks, as measured by the S&P500 Index, to record levels. While Japanese investors may be tempted by the allure of other markets, it is likely most of the liquidity will flow into Japan stocks. Thanks to China and India's strict limits on foreign investors, and Indonesia's still immature markets, the stage is set for Japan to be one of the best, if not the best performing stock market in Asia in 2015. Japan's markets will also receive a boost as the Government Pension Investment Fund lifts its allocation to domestic shares to 25% from 12%.

Japan's market performance seems to have come from earnings growth and not from investors simply assigning higher valuations as appears to have been the case in the U.S. Over the last five years, the S&P500 rise has been accompanied by an expansion into price-earnings ratios. The S&P500 Index currently trades at around 18.5 times compared to a ten-year average of 16.3 times. Japan's Topix Index trades at 16.4 times, a sizeable discount to the ten-year average of 20 times. The P/E discount exists despite strong profit growth and the fact that than two decades of debt repayment has strengthened the balance sheets of Japan's companies.

Given the supportive policy environment and appealing valuations, where should stock-pickers allocate their capital? Investors with a long-term view and a focus on value should consider Honda Motor (7267.JP / HMC

), Nitori (9843.JP), Olympus (7733.JP), and Sumitomo Mitsui Financial Group (8316.JP / SMFG). Goldman Sachs analyst Christopher Vilburn told Barron's Asia the four stocks top his screen for stocks offering near term value. His screen, which among other factors includes stocks with a buy rating and high financial returns, has performed well in recent years, outperforming the Topix Index by 57% since September 2011. However, Vilburn notes that no Japanese stocks appear on his screen which seeks quality with good governance standards. He is hopeful the government's push to improve corporate governance will change that.

JP Morgan analyst Dan Lu told Barron's Asia initiatives to increase inbound tourism is good for Japan's two main airlines ANA Holdings (9202.JP) and Japan Airlines (9201.JP). The government has set a target to increase visitors to 20 million in the year 2020 and 30 million for the year 2030, up from 10 million in 2013. The increase tourism is being driven by the weaker yen and easing of visa requirements.

Lu has an overweight rating on both airlines but for different reasons. ANA is viewed as having a quality management team and a strong brand. Its membership of membership of the Star Alliance network means the company should benefit strongly from increased capacity after winning 11 of 16 international flight slots at Tokyo's Haneda airport.

However, Lu prefers JAL. The airline relisted in 2012 after being restructured following a bail-out by the government in 2010. It is viewed as having one of the cheapest valuations among major airlines in the world. The analyst expects the dividend payout to be raised from 20% to 25% in the 2015 fiscal year.

The tourism boost from the weaker yen can be clearly seen on the streets of Tokyo's upmarket Ginza shopping district. Retailers which appear to be benefiting include Don Quijote Holdings (7532.JP), a general retailer which has gained 32% in 2014, and Laox Co (8202.JP), which has the largest network of duty free stores in Japan. Laox surged more than 400% last year amid investor enthusiasm for the company's expanding business in China.

The revised asset allocation of the government pension fund and a focus on improved corporate governance could benefit a number of stocks. Honda, Nitori, SMFG, ANA and Don Quijote are all constituents of the JPX-Nikkei 400 index, a new index composed of companies judged to use their capital effectively and which have investor-focused management teams. In April the index was selected by Japan Government Pension Investment Fund as one of the indices to benchmark its performance.

Email: thomas.streater@barrons.com

Comments? E-mail us at asiaeditors@barrons.com

(END) Dow Jones Newswires

January 07, 2015 23:38 ET (04:38 GMT)

文件 DJDN000020150108eb180009o

Heartwood Sees Limited Contagion From Greek Crisis - -- Market Talk

1,445 字
2015 年 1 月 8 日 09:15
Dow Jones Institutional News
DJDN
英文

0915 GMT [Dow Jones]--A Syriza election victory would increase Greek credit risk and raise concerns of a Greek exit from the monetary union but, on balance, the market implications will be relatively contained, says David Absolon, investment director at Heartwood Investment Management. The firm continues to hold a positive view on European equities in the medium term, and maintains an overweight position across portfolios. "Relative to the US equity market, Europe is less expensive and less of a consensus overweight trade among investors," he said, adding that the eurozone recovery remains insipid but data is stabilising and showing some signs of improvement, including bank lending across the region and business and investor surveys in Germany. (chiara.albanese@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com
0906 GMT [Dow Jones]--The Swedish krona is rising against the euro after the Riksbank said "non-conventional" measures could be presented at the next policy meeting if necessary. The euro was trading at SEK9.4050 going into the minutes and slumped as low as SEK9.3889. (josie.cox@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com
"Dutch Consumer Price Decline Reflects Eurozone Worries -- Market Talk" filed at 08:59 GMT incorrectly reported Dutch annual inflation rate. The rate declined 0.1%, not 0.2%, last month, compared with a year ago.

0859 GMT Consumer prices in the Netherlands fell in December, compared with a year ago, the first drop in more than five years, underscoring concerns about the specter of eurozone deflation. Dutch statistics agency CBS says the annual inflation rate fell 0.1% last month, in line with the eurozone average. Overall in 2014, inflation in the Netherlands fell to the lowest level in more than 25 years, CBS adds, largely as a result of falling oil prices. (maarten.vantartwijk@wsj.com)

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markettalk@wsj.com

Corrections and Amplifications

This item was corrected at 09:09 GMT. The original incorrectly reported Dutch annual inflation rate. The rate declined 0.1%, not 0.2%, last month, compared with a year ago.

0838 GMT [Dow Jones] Malaysia will likely miss its fiscal target in 2015 following the collapse in crude oil prices and the drag economic growth, says ANZ. The house forecast the budget deficit to rise about 0.8 percentage point to 3.8% of gross domestic product this year versus the government's target of 3.0% of GDP. It cuts economic growth estimate to 4.5% from 5.4% due to lower oil-related expenditures and tighter fiscal spending. "The overshoot could be larger, especially if oil remains on a significantly lower glide path and tax revenue is crimped by lower corporate profits and weaker growth," it notes. A protracted decline in oil prices would tip Malaysia's current-account balance into negative territory as soon as the first quarter if prices continue to fall significantly, resulting in twin deficits, ANZ cautions. (jason.ng@wsj.com; Twitter: @ByJasonNg)

Editor: KLH

0835 GMT [Dow Jones] Bank Indonesia is tightening the requirements that local non-bank companies must meet when they borrow offshore in a move to reduce risks of default that could eventually weigh on the rupiah. Among other things, starting Jan 1, 2016 only those firms with a minimum rating equal to BB- will be allowed to borrow money overseas. "Currently, less than 30% of the $153 billion offshore corporate borrowings are hedged. Such portion is still very low," says Bank Indonesia's director of statistics Hendy Susilowati. Economists praised various recent steps by Bank Indonesia to prevent reckless offshore borrowing, which were partly blamed for the rupiah collapse in 1997. (i-made.sentana@wsj.com)

Editor: KLH

0830 GMT [Dow Jones] The USD/TWD is little changed in sluggish trade, with many market participants refraining from trading actively ahead of the key U.S. job data Friday, say two local traders. The pair closes at 32.006, versus 32.001 late Wednesday in Taipei. They say the local central bank is believed to have bought the USD around 31.990 (versus 31.980 Wednesday) to keep the pair in its target band. Most of the session's trades were done between 31.990 and 31.995. A trader notes the USD/TWD was lifted to 32.000 earlier by buying from foreign investors, but exporter and foreign sales in afternoon offset early gains. "With the falling USD/KRW deviating the rising USD/JPY, the USD/TWD somewhat loses clear direction," the second trader adds. South Korea and Japan are Taiwan's major export rivals. Foreign investors turn net buyers of local stocks Thursday after being net sellers for three straight sessions. (fanny.liu@wsj.com)

Editor: KLH

0828 GMT [Dow Jones] China government bonds are steady ahead of inflation data for December on Friday. The seven-year government bond yield is down 1 bp at 3.59%. China's CPI likely rose 1.5% on-year in December, marginally faster than the 1.4% reported in November, according to the median forecast of 17 economists surveyed by Dow Jones. Economists say concerns over deflation may propel China to roll out additional monetary easing policies. Liquidity remains ample with the seven-day repo rate falling to 3.73% from 3.84% late Wednesday. The data are due out at 0130 GMT on Friday. (wynne.wang@dowjones.com)

Editor: KLH

0823 GMT [Dow Jones]--The dominance of long- and ultra-long government bonds at Thursday's Spanish and French auctions, "might give a bit more near term momentum to the long end steepening" that started Wednesday, says Barclays' strategist Khrishnamoorthy Sooben. Nonetheless, some spread widening in eurozone government bond markets this week due to tension in Greece resulted in some concessions ahead of the auctions which should help both auctions go "relatively smoothly", he says. Spain auctions EUR4-EUR5 billion January 2020, October 2028 and January 2037 bonds, with results between 0930 GMT and 0945 GMT. France auctions EUR8.5-EUR9.5 billion November 2024, May 2030 and May 2045 bonds, with results due at 0950 GMT. (emese.bartha@wsj.com; @EmeseBartha)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0808 GMT [Dow Jones]--Ultra-long French government bonds -- those with at least 15 years remaining until maturity -- look "particularly attractive" versus eurozone core and semi-core peers, and also versus EFSF debt following their recent underperformance, says Commerzbank strategist Alexander Aldinger before France's EUR8.5-EUR9.5 billion bond auction. The auction includes November 2024, May 2030 and May 2045-dated bonds, known as OATs. Mr. Aldinger adds that the recent spread widening versus Bunds should prove supportive for this issuance. Auction results are due at 0950 GMT. (emese.bartha@wsj.com; @EmeseBartha)

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0755 GMT [Dow Jones]--The decline of EMU inflation into negative territory stoked speculation of further ECB measures Wednesday and drove the Bund future to a new all-time high of 157.26. This was followed by a consolidation, which may continue today given the lack of any significant data publications and the overbought market situation, according to Helaba. "However, the uptrend channel remains intact." The

German bank sees a trading range of 156.29-157.26. March Bunds trade -0.13 at 156.60.
(nick.cawley@wsj.com)

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(END) Dow Jones Newswires

January 08, 2015 04:15 ET (09:15 GMT)

文件 DJDN000020150108eb18000r1

DOW JONES
NEWSWIRES

Bank Indonesia Tightens Corporate Offshore Borrowing Rules -- Market Talk

1,614 字
2015 年 1 月 8 日 08:35
Dow Jones Institutional News
DJDN
英文

0835 GMT [Dow Jones] Bank Indonesia is tightening the requirements that local non-bank companies must meet when they borrow offshore in a move to reduce risks of default that could eventually weigh on the rupiah. Among other things, starting Jan 1, 2016 only those firms with a minimum rating equal to BB- will be allowed to borrow money overseas. "Currently, less than 30% of the $153 billion offshore corporate borrowings are hedged. Such portion is still very low," says Bank Indonesia's director of statistics Hendy Susilowati. Economists praised various recent steps by Bank Indonesia to prevent reckless offshore borrowing, which were partly blamed for the rupiah collapse in 1997. (i-made.sentana@wsj.com)

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0752 GMT [Dow Jones] A Bank of Japan survey of the general public shows a drop in the number of people expecting to see in inflation in the coming year. In September 2014 the BOJ survey found that 82.5% of people expected to see in a rise in inflation over 12 months. In the latest survey, done in December, the BOJ found the percentage of people anticipating greater inflation over a one-year period dropped to 80.8%. The reading was notable in that it was the first such survey done after the central bank launched aggressive stimulus measures, in October 2014, to address building fears of a return to deflation. The survey, which polls 2,000 respondents on their expectations for the prices of goods and services, found people expecting a median 3.0% price increase over the next year, unchanged from the previous survey. The figure excludes the impact of an increase in sales tax that took effect in April 2014. Despite the drop in the percentage of people expecting an inflation rise, the outcome could be a relief for the central bank as people's inflation expectations still exceed the BOJ's 2.0% inflation target. (tatsuo.ito@wsj.com)

Editor JSM

0750 GMT [Dow Jones] Indonesia is issuing 10-year and 30-year U.S. dollar-denominated bonds according to term sheets seen by The Wall Street Journal, with the yield guidance at 4.5% for the 10-year and 5.5% for the 30-year. Citigroup, HSBC and Standard Chartered are leading the bond sale. The sale follows a $2 billion bond sale by the Philippines earlier this week, which was bought up by U.S.-based fund managers. (anjani.trivedi@wsj.com ; @anjani_trivedi)

Editor: KLH

0745 GMT [Dow Jones] Macquarie expects India's economic growth to rise to 6.5% in the next fiscal year starting April 1 and accelerate further to 7% in FY17 from an estimated 5.4% in FY15 due to a step-up in investments, faster implementation of reforms and addressing of supply-side issues. Macquarie believes FY16 will be a notable year for India with economic growth improving gradually and inflation slowing on a sharp fall in global commodity prices, and on policy initiatives. The recent pick-up in real economic activity is to be reflected in numbers from the June 2015 quarter, it adds. The consumer price inflation is also likely to moderate to 6% in FY16, giving the central bank leeway to cut policy rates by as much as 1% by end-FY16, Macquarie says. It expects a high probability of the first rate cut being announced post the FY16 Union Budget in February. (debiprasad.nayak@wsj.com)

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0725 GMT [Dow Jones] North Korea's apparent summit offer to South Korea on the New Year's Day means little, says Moody's economists. Cross-border tension often heightened by North Korean provocations is potentially credit-negative for South Korea's economy. Moody's says in a new report "fundamental obstacles to detente remain, limiting the prospects for rapprochement", despite the January 1 overture. South Korea will not heed the North Korean demand for ending annual military exercises with the U.S. before a new inter-Korean summit, Moody's notes. South Korea maintains a strong military alliance with the U.S. to deter North Korea. Moody's has maintained South Korea's sovereign credit rating at Aa3 on a par with China since August 2012. (kwanwoo.jun@wsj.com)

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0709 GMT [Dow Jones] DBS stock strategist Alexander Lee says Hong Kong's pro-democracy protests be one of six key themes shaping China markets in 2015. "Protesters united under the banner of democracy, but I believe there are many other frustrations fueling discontent," Lee says. He notes Hong Kong's "Gini coefficient," which measures income equality, ranks the city in the league of Colombia, Honduras and Guatemala. "This is not a proud peer group to be in, unless we are talking about coffee," Lee adds. (mia.lamar@wsj.com)

Editor JSM
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January 08, 2015 03:35 ET (08:35 GMT)

文件 DJDN000020150108eb18000sc

DOW JONES
NEWSWIRES

Bund Uptrend Channel Remains Intact- Helaba -- Market Talk

1,647 字
2015 年 1 月 8 日 07:55
Dow Jones Institutional News
DJDN
英文

0755 GMT [Dow Jones]--The decline of EMU inflation into negative territory stoked speculation of further ECB measures Wednesday and drove the Bund future to a new all-time high of 157.26. This was followed by a consolidation, which may continue today given the lack of any significant data publications and the overbought market situation, according to Helaba. "However, the uptrend channel remains intact." The German bank sees a trading range of 156.29-157.26. March Bunds trade -0.13 at 156.60. (nick.cawley@wsj.com)

Contact us in London. +44-20-7842-9464
markettalk@wsj.com
0755 GMT [Dow Jones]--The markets settled down a little overnight, helped by a small rebound in oil prices which lifted equities, and the December FOMC meeting minutes which suggested a Fed rate hike is not likely before 2Q. The S&P500 closed up 1% and the Nikkei followed up with a 1.7% gain, which gave USD/JPY a strong bid tone while EUR/USD languishes down at 9-year lows. Elsewhere, NZD traded firmer in the wake of a strong Fonterra dairy auction, while AUD rallied on above-forecast building approvals data. Up ahead the BoE MPC January rate decision is expected to be a non event with rates and QE left unchanged and no statement expected. Already out, German manufacturing orders fell sharply in November, down 2.4% vs -0.8% expected. gary.stride@wsj.com *

Contact us in London. +44-20-7842-9464
markettalk@wsj.com

0752 GMT [Dow Jones] A Bank of Japan survey of the general public shows a drop in the number of people expecting to see in inflation in the coming year. In September 2014 the BOJ survey found that 82.5% of people expected to see in a rise in inflation over 12 months. In the latest survey, done in December, the BOJ found the percentage of people anticipating greater inflation over a one-year period dropped to 80.8%. The reading was notable in that it was the first such survey done after the central bank launched aggressive stimulus measures, in October 2014, to address building fears of a return to deflation. The survey, which polls 2,000 respondents on their expectations for the prices of goods and services, found people expecting a median 3.0% price increase over the next year, unchanged from the previous survey. The figure excludes the impact of an increase in sales tax that took effect in April 2014. Despite the drop in the percentage of people expecting an inflation rise, the outcome could be a relief for the central bank as people's inflation expectations still exceed the BOJ's 2.0% inflation target. (tatsuo.ito@wsj.com)

Editor JSM

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Editor JSM

0700 GMT [Dow Jones] The yuan depreciation against U.S. dollars in 2014, the first annual decline in five years, took investors by surprise--but they should worry more about the Chinese currency rising, says BofA-Merrill Lynch. "The probability of the yuan depreciating significantly against the U.S. dollar is low as the government would like to maintain a stable domestic capital market, prevent massive capital outflows and promote internationalization of the yuan," says the bank, which lists a strong yuan as one of the top risks for the country this year. The yuan has in fact appreciated generally against the currencies of its major trading partners, just not the dollar, according to BofA-ML. Meanwhile, China's unit labor costs, which account for changes in both wages and productivity, have risen 19% since 2000, making the country less competitive than other Asian countries, it says. (jacky.wong@wsj.com; Twitter: @jackycwong)

Editor JSM

0658 GMT [Dow Jones] U.S. jobs data out Friday will gain less attention among USD/JPY traders than usual as risk aversion over Greek and oil price concerns continues to smolder, market participants say. "Many people already probably imagine the upcoming job data will show a fallback from the extremely strong reading in November," says Ayako Sera, head of market research team at Sumitomo Mitsui Trust Bank, suggesting that the data may merely show the U.S. economy running at cruising speed. Investors will instead look for other cues such as economic indicators from the eurozone. More immediately, investors are awaiting manufacturing data from Germany out later today. (hiroyuki.kachi@wsj.com)

Editor: PJK

0639 GMT [Dow Jones] KKR & Co (KKR) Thursday said it has formed a non-banking financial company to provide structured credit finance to India's real estate sector with an investment from GIC, the Singapore sovereign wealth fund. Since 2009, KKR has extended more than $2 billion of structured financing to 21 business groups in India through its credit and capital markets business, the U.S. private equity firm says. In 2014, KKR initiated the real estate business in India by structuring and participating in three transactions with an aggregate amount of about $190 million, KKR says. Since launching a dedicated real estate platform in 2011, KKR has committed over US$1.8 billion of equity to 29 real estate transactions in the U.S., Europe and Asia. (kenan.machado@wsj.com)

Editor JSM

0625 GMT [Dow Jones] A Bank of Japan survey of 2,000 members of the public shows that falling real incomes and rising prices have made people feel worse off than at any time since December 2011. The news bodes ill for PM Shinzo Abe as he tries to get more people to feel the benefits of his pro-growth policies. The PM returned to office in December 2012, promising that his "Abenomics" policy platform, including aggressive monetary easing by the BOJ, would pull the economy out of 15-years deflation. The quarterly poll also shows that the proportion of those saying the economy is worsening has increased to 37.8% from 31.7% in the previous September survey.(tatsuo.ito@wsj.com)

Editor: PJK

0617 GMT [Dow Jones] China will likely report a record balance-of-payments deficit, of about $35 billion, in the fourth quarter of 2014 and in the first quarter of this year, as Chinese companies pay down foreign debt to protect themselves against an appreciating U.S. dollar, Crédit Agricole CIB economist Dariusz Kowalczyk says. Once they pay down enough foreign debt to limit their FX exposure, the external payments position will likely return to a modest surplus in the third quarter of this year, Kowalczyk says in a note to clients. "The RMB is increasingly driven by shortfall in capital flows, not current account surpluses," he says, adding the Chinese currency will likely depreciate to 6.30 against the dollar in the second quarter of this year before recovering to 6.16 by year-end and 6.05 in 2016. (liyan.qi@wsj.com)

Editor JSM
(END) Dow Jones Newswires

January 08, 2015 02:55 ET (07:55 GMT)

文件 DJDN000020150108eb18000j4

Micron Pares Losses after FYQ2 View Underwhelms; Bulls Defend the New Normal
Barron's Blogs, 2015 年 1 月 7 日 15:51, 1134 字, By Tiernan Ray, (英文)
The Street today is trying to figure out what to do with the shares of memory chip maker Micron Technology (MU), whose stock yesterday afternoon fell over 6% in late trading after the company slightly missed fiscal Q1 revenue estimates and ...
文件 WCBBE00020150107eb17000xd

Time For a Biotech Pullback?
Barron's Blogs, 2015 年 1 月 6 日 17:05, 235 字, By Ben Levisohn, (英文)
Citigroup's Yaron Werber and team think so. They removed Vertex Pharmaceuticals (VRTX) from their most-preferred list, while recommending investors favor Gilead Sciences (GILD) and Celgene (CELG). They explain:
文件 WCBBE00020150106eb16001md

DOW JONES
NEWSWIRES

Time For a Biotech Pullback? -- Barron's Blog

By Ben Levisohn
317 字
2015 年 1 月 6 日 17:05
Dow Jones Institutional News
DJDN
英文

Citigroup's Yaron Werber and team think so. They removed Vertex Pharmaceuticals (VRTX) from their most-preferred list, while recommending investors favor Gilead Sciences (GILD) and Celgene (CELG). They explain:

Interest in the sector is high and boosted by recent inflows in Dec. But the volatility during the last week of the year likely jolted many who just got in. The RSI is close to the overbought level and valuations are more stretched

than in the past. While fundamentals in large cap continue to be better than the S&P500 and there is a lot of innovation in SMID it is hard to get excited as upward EPS revisions are widely expected and expectations for SMID are high. Citi's proprietary valuation model is also supportive of this angle. We expect a pullback soon as predicted by the RSI. We are more comfortable buying on pullbacks as opposed to chasing momentum. Gilead Sciences/Celgene are our top lg cap ideas...We are removing Vertex as we foresee some headwinds from 2015 guidance expected next week and as we see few catalysts near-term to continue the momentum.

Shares of Vertex Pharmaceuticals have dropped 2.7% to $117.73 at 12:03 p.m., while Gilead Sciences has gained 0.3% to $97.10 and Biogen Idec is up 0.6% at $338.75.

More at Barron's Stocks to Watch blog, http://blogs.barrons.com/stockstowatchtoday/

Access Investor Kit for Biogen Idec, Inc.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US09062X1037

Access Investor Kit for Citigroup, Inc.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US1729674242

Access Investor Kit for Gilead Sciences, Inc.

Visit http://www.companyspotlight.com/partner?cp_code=P479&isin=US3755581036

(END) Dow Jones Newswires

January 06, 2015 12:05 ET (17:05 GMT)

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BARRON'S

MARKET WEEK
Stocks --- The Trader: As 2014 Ends, the Bull Rests, and Markets Slip

By Vito J. Racanelli
1,839 字
2015 年 1 月 5 日
Barron's
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On the last day of the year, the bull rested. Stocks took most of the week off, dropping three straight days after a record close Monday for the Standard & Poor's 500 index. The major indexes finished more than 1% lower in a holiday-shortened week of light trading.

The drop came more on an absence of buyers than a plethora of sellers. In December, market observers say, some money managers threw in the towel on stock picking and just rode the market by buying S&P 500 exchange-traded funds. That ended last week, they said.

"With volumes so low, you can't read much into the action," says Dan Greenhaus, chief strategist at BTIG Research. The market's inertia is up until something comes along to change it, he says.

In the near term, there are two important market influences. At the January 22 European Central Bank meeting or perhaps the next one on March 5, investors will want to see the ECB make decisive quantitative easing steps, which it has been promising for months, says Greenhaus.

Steven Sosnick, a senior trader at Timber Hill, concurs. "Ultimately, ECB President Mario Draghi has done what he can with words," he says. "At some point words stop being enough . . . and ultimately he's got to deliver."

By February, says John Leo Manley, chief equity strategist at Wells Fargo Funds Management, investors will look to fourth quarter earnings reports for direction. While they are already expecting weakness in S&P 500 energy sector profits, which will pull down the index's earnings per share total, how the market digests the actual numbers could be a worry, he adds.

Last week, the Dow Jones Industrial Average lost 221 points or 1.2% to 17,832.99. The S&P 500 dropped 31, or 1.5%, to 2,058.20, while the Nasdaq Composite index gave up 80 points, or 1.7%, to 4726.81.

For the record, among the world's major developed market indexes, the U.S. was king of the hill in 2014, while the MSCI World index rose 3% in dollar terms.

The Dow rose 7.5% last year, with a total return of 10%, compared to 26.5% and 29.6% in 2013. Intel (ticker: INTC) topped the list, up almost 40%, and IBM (IBM), the worst, fell 14.5%. Contrarians take note: IBM has been the worst Dow component for two straight years, the first time that's happened since Bethlehem Steel in 1995-96.

The S&P 500 rose 11.4% in 2014, and returned 13.7%, compared to 29.6% and 32.4%, respectively, in 2013. Southwest Airlines was the best performer, up 125%, and airlines were the second-best industry group, up 95%. Energy groups populated the worst performers list, with six of the bottom 10 S&P 500 stocks in that sector.

Copa Can Cope

The market-beating performance by U.S. airlines came on strong carrier profit rises; decent U.S. economic expansion; low capacity growth; and slumping jet fuel prices.

Results at Latin American peers, however, have been mixed at best. Some stocks fell sharply, such as Copa Holdings (ticker: CPA), a $4.6 billion market cap, Panama-based carrier serving 69 destinations in 30 countries in the Americas.

Though airlines south of the border get a boost from cheap fuel too, the main difference has been anemic regional gross domestic product growth, particularly in South America. Brazil's GDP was effectively flat in

2014. And thanks to economic basket cases like Venezuela and Argentina, Latin America saw GDP growth of just 1% last year.

But the region's expansion is projected to double in 2015 to more than 2%. That plus other Copa attributes suggest that its shares -- down a third in 2014 from $160 to $103 Friday, and back to 2012 levels -- may be good value in the long run and could give a 40% total return in the next 24 months.

Many are concerned about Copa's Venezuelan exposure, about 15% of revenue at the start of 2014. Yet it has dropped since then, as Copa shifts capacity out of the beleaguered nation. The company has said it's taken "concrete" steps to steadily reduce its Venezuelan bolivar currency exposure, too.

In the third quarter, Copa revenue fell 2% to $664 million, while net income excluding special items fell 14% to $100 million or $2.25 per share. Copa's yield -- the revenue per mile flown by a passenger and an important industry measure -- fell 8% to 15.9 cents in the third quarter. It probably fell 10% to 13% in the fourth quarter.

Nevertheless, Copa is attractive here, and the share price drop "more than discounts" the problems, says Amber Fairbanks, a portfolio manager at Zevin Asset Management, which has a longstanding stake in Copa. It's a well-run airline, with stable operating margins and excellent long-term growth potential, she adds.

Wall Street is cool on Copa, with just eight out of 20 analysts holding a Buy rating. Their consensus expectation is for earnings per share to fall to $8.76 this year from an estimated $9.86 in 2014. And in 2015, the company has guided to operating margins of 15% to 17%, lower than its historical 20%.

However, jet fuel prices could be a bigger help than the market expects, notes Fairbanks. When oil was $85 per barrel, Copa said every $1 change in the average annual drop in the price of crude is worth about $5 million to the bottom line. If oil averages $65 per barrel in 2015 -- $12 above the current price -- it could mean $100 million to Copa, says Fairbanks. That's 20% to 25% of its annual net income. The company figures fuel will be $2.80 per gallon next year, down from $3.12 in the third quarter.

The strong dollar is also a head wind for Copa, but the firm has 40% of its sales in dollars, she says. Moreover, the company has a strong track record, with a decade's worth of generally steady and strong revenue and profit growth. Fairbanks estimates EPS of $13 in 2017, and applies the historical price/earnings ratio of 11 to get a price of $143 by the end of 2016.

There's also a robust 3.7% dividend yield and the company is buying back stock at what looks to be an opportune price level, unlike many firms repurchasing their shares near 52-week highs. Copa has a good balance sheet, with $605 million in cash, and another $520 million currently subject to Venezuelan currency restrictions. Long-term debt is about $1 billion.

Despite the weakness lately, Latin America should be the second-fastest growing air travel region in the next decade. Copa operates in mostly underserved markets and, as a midpoint connecting hub, its big presence in Panama is a geographic plus. It won't take much of an improvement in the economic backdrop to send this stock skyward.

Big Insiders Buying

Even as this column has occasionally cited insider selling activity as a bearish sign for a stock, we've also noted from time to time that the selling of a company's shares by insiders is not a full-proof indicator. Managers sell their company's stock for lots of reasons -- because of tax issues or as part of a firm's regularly scheduled insider selling window, as well as for high valuation.

Insider buying, however, tends to be more useful as an indicator, since insiders who purchase their company's stock in the open market generally do so for one reason: They think the stock price is undervaluing what they know of the company's outlook.

Jonathan Moreland, director of research at InsiderInsights.com, says that insider stock activity at small-caps typically tends to be more useful. "I've found the Russell 2000 index traditionally to be the better hunting ground using insider data."

Compared with large-cap companies, small-caps aren't as widely followed by investors and analysts, and the likelihood of information gaps is higher. For a number of reasons, adds Moreland, smaller-cap insiders are more likely to give a better insider trading signal than larger-cap execs.

But just to be contrary, we asked Moreland to come up with large-cap stocks showing significantly bullish insider activity and he found seven names (see table).

Usually, after large-cap stocks have done well, as they have in 2014, it's normal to see insiders flipping their stock options for a risk-free profit, he says. "But in the case of these seven stocks, not only have the stocks traded well in the past year but insiders are still showing positive sentiment instead of the usual raft of insiders taking profits."

This isn't an expected combination of insider and price action, especially with large-cap names. "Whatever is not expected with insider activity is more significant," he adds. "Some of these names don't jump out at you as growth names," he says. With waste-management company Republic Services (RSG), for example, energy costs are coming down, U.S. growth is expanding, and that means more garbage, Moreland adds.

InsiderInsights.com generates ratings using information from its own range of historic insider filer statistics, along with other behavioral factors such the recent price action of the stock; whether the trade represents a reversal of opinion, and if the trade amount represents a departure from the historical norms of the insider, among other proprietary measures.

Big-caps soundly beat small-caps in 2014 and this trend could continue in 2015. With big-cap buying relatively rare, such activity could be a good indicator.

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e-mail: vito.racanelli@barrons.com

Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17832.99	-220.72	-1.22
DJTransportation	9098.98	-100.67	-1.09
DJUtilities	621.61	-13.93	-2.19
DJ65Stocks	6472.89	-88.02	-1.34
DJUSMarket	516.68	-7.38	-1.41
NYSEComp.	10830.93	-154.47	-1.41
NYSEMKTComp.	2427.96	-56.72	-2.28
S&P500	2058.20	-30.57	-1.46
S&PMidCap	1451.31	-16.59	-1.13
S&PSmallCap	690.17	-9.69	-1.38
Nasdaq	4726.81	-80.05	-1.67
ValueLine(arith.)	4668.78	-56.44	-1.19
Russell2000	1198.80	-16.41	-1.35
DJUSTSMFloat	21411.71	-301.05	-1.39

	Last Week	Week Earlier
NYSE		
Advances	1,355	2,153
Declines	1,893	1,068
Unchanged	39	66
NewHighs	413	478
NewLows	86	72
AvDailyVol(mil)	2,003.8	2,359.3
Dollar		
(Finexspotindex)	91.16	90.03
T-Bond		
(CBTnearbyfutures)	145-160	143-120
Crude Oil		
(NYMlightsweetcrude)	52.69	54.73
Inflation KR-CRB		
(FuturesPriceIndex)	228.41	234.65
Gold		
(CMXnearbyfutures)	1186.00	1195.30

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DOW JONES
NEWSWIRES

The Trader: As 2014 Ends, The Bull Rests, And Markets Slip -- Barron's

1,957 字
2015 年 1 月 3 日 05:08
Dow Jones Institutional News
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M3
英文

(FROM BARRON'S 1/5/15)
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However, jet fuel prices could be a bigger help than the market expects, notes Fairbanks. When oil was $85 per barrel, Copa said every $1 change in the average annual drop in the price of crude is worth about $5 million to the bottom line. If oil averages $65 per barrel in 2015 -- $12 above the current price -- it could mean $100 million to Copa, says Fairbanks. That's 20% to 25% of its annual net income. The company figures fuel will be $2.80 per gallon next year, down from $3.12 in the third quarter.

The strong dollar is also a head wind for Copa, but the firm has 40% of its sales in dollars, she says. Moreover, the company has a strong track record, with a decade's worth of generally steady and strong revenue and profit growth. Fairbanks estimates EPS of $13 in 2017, and applies the historical price/earnings ratio of 11 to get a price of $143 by the end of 2016.

There's also a robust 3.7% dividend yield and the company is buying back stock at what looks to be an opportune price level, unlike many firms repurchasing their shares near 52-week highs. Copa has a good balance sheet, with $605 million in cash, and another $520 million currently subject to Venezuelan currency restrictions. Long-term debt is about $1 billion.

Despite the weakness lately, Latin America should be the second-fastest growing air travel region in the next decade. Copa operates in mostly underserved markets and, as a midpoint connecting hub, its big presence in Panama is a geographic plus. It won't take much of an improvement in the economic backdrop to send this stock skyward.

Big Insiders Buying

Even as this column has occasionally cited insider selling activity as a bearish sign for a stock, we've also noted from time to time that the selling of a company's shares by insiders is not a full-proof indicator. Managers sell their company's stock for lots of reasons -- because of tax issues or as part of a firm's regularly scheduled insider selling window, as well as for high valuation.

Insider buying, however, tends to be more useful as an indicator, since insiders who purchase their company's stock in the open market generally do so for one reason: They think the stock price is undervaluing what they know of the company's outlook.

Jonathan Moreland, director of research at InsiderInsights.com, says that insider stock activity at small-caps typically tends to be more useful. "I've found the Russell 2000 index traditionally to be the better hunting ground using insider data."

Compared with large-cap companies, small-caps aren't as widely followed by investors and analysts, and the likelihood of information gaps is higher. For a number of reasons, adds Moreland, smaller-cap insiders are more likely to give a better insider trading signal than larger-cap execs.

But just to be contrary, we asked Moreland to come up with large-cap stocks showing significantly bullish insider activity and he found seven names (see table).

Usually, after large-cap stocks have done well, as they have in 2014, it's normal to see insiders flipping their stock options for a risk-free profit, he says. "But in the case of these seven stocks, not only have the stocks traded well in the past year but insiders are still showing positive sentiment instead of the usual raft of insiders taking profits."

This isn't an expected combination of insider and price action, especially with large-cap names. "Whatever is not expected with insider activity is more significant," he adds. "Some of these names don't jump out at you as growth names," he says. With waste-management company Republic Services (RSG), for example, energy costs are coming down, U.S. growth is expanding, and that means more garbage, Moreland adds.

InsiderInsights.com generates ratings using information from its own range of historic insider filer statistics, along with other behavioral factors such the recent price action of the stock; whether the trade represents a reversal of opinion, and if the trade amount represents a departure from the historical norms of the insider, among other proprietary measures.

Big-caps soundly beat small-caps in 2014 and this trend could continue in 2015. With big-cap buying relatively rare, such activity could be a good indicator.

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e-mail: vito.racanelli@barrons.com

3 Jan 2015 00:08 ET The Trader: As 2014 Ends, The Bull Rests, And -2-

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Vital Signs

	Friday's Close	Week's Change	Week's % Chg.
DJIndustrials	17832.99	-220.72	-1.22
DJTransportation	9098.98	-100.67	-1.09
DJUtilities	621.61	-13.93	-2.19
DJ65Stocks	6472.89	-88.02	-1.34
DJUSMarket	516.68	-7.38	-1.41
NYSEComp.	10830.93	-154.47	-1.41
NYSEMKTComp.	2427.96	-56.72	-2.28
S&P500	2058.20	-30.57	-1.46
S&PMidCap	1451.31	-16.59	-1.13
S&PSmallCap	690.17	-9.69	-1.38
Nasdaq	4726.81	-80.05	-1.67
ValueLine(arith.)	4668.78	-56.44	-1.19
Russell2000	1198.80	-16.41	-1.35
DJUSTSMFloat	21411.71	-301.05	-1.39

	Last Week	Week Earlier
NYSE		
Advances	1,355	2,153
Declines	1,893	1,068
Unchanged	39	66
NewHighs	413	478
NewLows	86	72
AvDailyVol(mil)	2,003.8	2,359.3
Dollar		
(Finexspotindex)	91.16	90.03
T-Bond		
(CBTnearbyfutures)	145-160	143-120
Crude Oil		
(NYMlightsweetcrude)	52.69	54.73
Inflation KR-CRB		
(FuturesPriceIndex)	228.41	234.65
Gold		
(CMXnearbyfutures)	1186.00	1195.30

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Barron's Blogs, 2015 年 1 月 2 日 19:52, 552 字, By Tiernan Ray, (英文)
Qorvo (QRVO), the wireless chip maker born of the union between RF Micro Devices and TriQuint Semiconductor, started trading today after the deal closed at the end of the year, and it is up $2.26, or 3.4%, at $68.62 -- an especially nice ...
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