

MORNINGSTAR MORNING NOTES

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Overseas Market Report -Market Snaps 3-Week Losing Streak

US stocks climbed on Friday, with JP Morgan Chase, Caterpillar and International Business Machines leading the charge as a better-than-expected jobs report for August helped the market snap a three-week losing streak.

The Dow Jones Industrial Average added 127.83 points (1.24%) to 10,447.93, its highest close since Aug. 10. The measure rose 2.93% last week, its biggest weekly gain since the week ended July 23 and its best pre-Labor Day week since 1990. Friday's gain also helped the Dow erase its losses for the year. It is now up 0.19% for 2010.

All 30 of the Dow's components rose on Friday. JP Morgan was the measure's best performer with an increase of \$1.01 (2.7%) to \$39.17, while Caterpillar advanced \$1.54 (2.3%) to \$70.08, and IBM tacked on \$2.54 (2%) to \$127.58.

The Nasdaq Composite rose 33.74 (1.53%) to 2,233.75. The Standard & Poor's 500 index climbed 14.41 (1.32%) to 1,104.51. All of the measure's sectors rose, led by financials.

The gains followed government data showing US job losses mounted at a more modest pace than expected in August. Nonfarm payrolls fell by 54,000 last month, roughly half the decline that had been feared and matching the level of revised losses recorded the previous month. The unemployment rate, calculated using a separate household survey, edged up to 9.6%, as expected.

The jobs data followed reports on housing and manufacturing this week that came in above expectations, casting new doubt on a double-dip recession and fuelling the market's strong start to September.

H&R Block jumped 73 cents (5.8%) to \$13.30. The tax-preparation company reported a much smaller loss from continuing operations than analysts had expected.

Campbell Soup declined \$1.11 (3%) to \$36.21. The food company's fiscal fourth-quarter profit rose 64%, but its US soup sales continued to decline despite efforts to attract consumers with more promotions.

Walt Disney tacked on 76 cents (2.2%) to \$34.67, and Time Warner Cable added \$1.04 (1.9%) to \$55.74. The companies reached an accord after marathon negotiations over a long-term deal that will provide cable television subscribers of Time Warner Cable with a wide swath of programming from Disney's roster of broadcast and cable networks.

American depositary shares of Satyam Computer Services leapt 32 cents (6.8%) to \$5.04. The technology services company said it has received a multimillion-dollar order to provide system integration services to a health insurer. Satyam Computer didn't disclose the size of the contract or from whom it got the order.

For Australian ADRs listed on the NYSE, BHP Billiton added 60 cents (0.85%) to US\$70.80, Rio Tinto Plc strengthened 87 cents (1.61%) to US\$54.89, ResMed increased 74 cents (2.35%) to US\$32.23, Telstra Corporation climbed 11 cents (0.86%) to US\$12.96, Telecom Corporation of NZ increased 21 cents (2.88%) to US\$7.49 and Westpac rose 48 cents (0.46%) to US\$104.03.

In economic news, job losses continue to mount in the US last month, though at a more modest pace than expected, putting further pressure on policy makers to take action to spur growth and employment. Private-sector companies added 67,000 jobs, following an upwardly revised 107,000 gain in July.

The Institute for Supply Management's non-manufacturing purchasing managers' index fell to 51.5 in August, from 54.3 in July, falling short of expectations for a reading of 53.0.

At 7:45 AM (AEST), the 10-year Treasury note yield was 2.70% and the five year yield was 1.48%.

European stocks advanced on Friday, rallying in the wake of better-than-expected employment data out of the US.

The Stoxx Europe 600 index, which was up just 0.4% before the data, finished up 0.9% to 260.40. The index clocked gains of 3.7% this week after a lacklustre performance in August.

Non-farm payrolls declined by 54,000 in August, the Labor Department said on Friday. That was below the 105,000 loss expected by economists polled by MarketWatch. Also, private-sector payrolls rose more than expected.

Virtually all sectors in Europe were in the black, though banks were in the lead across Europe.

The French CAC-40 index rose 1.1% to 3,672.20 points, helped by a 3.7% gain for shares of Societe Generale, a 3.3% rise for Credit Agricole and a 2% rise for BNP Paribas.

Capgemini extended gains for a second day, up 2.4%. On Thursday the company announced a deal to buy a 55% stake in CPM Braxis, Brazil's biggest information technology group.

Germany's DAX-30 rose 0.8% to 6,134.62 points, led by shares of Daimler AG, up 1.6% and Man AG, up 2.1%.

Also on the DAX, shares of Merck KGaA rose 2.8% after the group said its Cladribine tablets for the treatment of relapsing-remitting multiple sclerosis had been approved in Australia.

Staying on drug stocks, in Zurich, shares of Roche Holding AG rose 1.8% after the Swiss pharmaceutical firm announced a cost-cutting initiative and confirmed its full-year outlook.

The UK FTSE 100 index closed up 1.1% to 5,428.15 points, with shares of Barclays PLC up 4.2%.

On the FTSE 100, Rio Tinto firmed 53.00 pence (1.52%) to 3,537.85 pence and BHP Billiton added 35.00 pence (1.84%) to 1,894.35 pence.

Most Asian stock markets advanced on Friday with Japanese stocks posting their third consecutive gain on the back of strong exporters, but weakness in Chinese banking and property stocks weighed on Shanghai.

Japan's Nikkei Stock Average rose 0.6%, Hong Kong's Hang Seng Index ended up 0.5% and the Shanghai Composite index ended flat.

New Zealand shares ended higher as sentiment improved although caution prevailed ahead of the key US non-farm payrolls report for August due later in the global trading day. The NZX-50 added 0.8%, or 25 points, to 3,107.43, bringing its gain for the week to 3.3%.

Base metals closed mixed on the London Metal Exchange after a better-than-expected US labour report was offset by weak non-manufacturing data and a spate of profit-taking. Aluminium rose \$4 (0.19%) to \$2,150 while copper firmed \$40 (0.52%) to \$7,690 and nickel added \$75 (0.35%) to \$21,775. Zinc remained unchanged at \$2,165 and lead strengthened \$25 (1.16%) to \$2,185. Comex copper was last quoted at 349.85 US cents per pound.

Gold futures lost ground as a stronger-than-expected jobs report from the US dulled some of the metal's safe-haven allure, but a weaker US dollar checked those losses. Spot gold was last quoted at \$1,247.40. Comex gold futures weakened \$2.30 (0.18%) to \$1,251.10. Spot silver was last quoted at \$19.87.

Crude ended lower after a report showed growth in the US service sector slowed last month. West Texas Intermediate was last quoted at US\$74.60 per barrel.

At 07:45 a.m. (AET) the US dollar was quoted at 0.7762 euros, 84.28 yen, 1.092 AUD and 64.76 pence.

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Australian Market Report -Local Shares to open Higher

Local shares are likely to open higher after positive news out of the US on Friday.

Ahead of the local open the September SPI futures were 50 points (1.10%) higher at 4,587.

Market and Company News | Friday 3 September 2010 - close

BHP Billiton (BHP)

A newspaper report says BHP may be considering a major oil and gas acquisition even as it attempts to buy the US\$38.7bn Canadian fertiliser giant Potash Corp. The report says BHP and Royal Dutch Shell last year explored and then abandoned a \$35bn bid for Woodside Petroleum, and BHP ran the rule over a number of Gulf of Mexico assets belonging to BP before BP made it clear the assets weren't for sale. The report says a "senior figure in the global energy industry" believes the second target for BHP is now US oil and gas company Anadarko Petroleum, a major independent producer in the Gulf of Mexico valued around US\$24bn. It says Anadarko's shares have been hit by the Macondo well disaster in the Gulf as the company has a 25% stake in the well, making it vulnerable to any takeover attempt. The newspaper said BHP declined to comment for the article. BHP advanced 1 cent (0.03%) to \$38.33.

Macquarie (MQG)

Macquarie and Deutsche Bank's infrastructure- investment arm and are among companies that have expressed interest in buying RWE's natural-gas network in Germany, valued at as much as 500m euros, according to sources familiar with the matter. Macquarie indicated it may want to purchase the asset, according to the source. The source also said that Deutsche Bank's RREEF infrastructure arm manages a fund for institutional investors that plans to bid for the pipeline network. MQG fell 41 cents (1.1%) to \$36.99.

Fortescue Metals (FMG)

Fortescue denied accusations by shareholder Leucadia that it breached a funding agreement with its long-time partner, which is suing the iron ore miner for what it views as an "extraordinary" attempt to raise cheap funding at its expense. Leucadia lent US\$100m to Fortescue in 2006 by way of a note issue, with interest on the notes to be paid with 4% of revenue generated by two proposed Fortescue iron ore mines until 2019. The hedge fund is angry at Fortescue and its Chief Executive Andrew Forrest after the company claimed that it's entitled to issue more notes but only pay interest on the new notes from the same 4% of revenue, effectively diluting the return to Leucadia. Fortescue said that it believes that its original agreement with Leucadia allows for further note issues, adding that although it has raised the prospect, it has not actually taken any steps to do so.

An "outraged" Leucadia in a filing Thursday described Fortescue's claim that it could issue more notes as "extraordinary" and said that it "did not, and never would, agree to such dilution". "Fortescue and Forrest know full well that Leucadia invested in the (note) upon the basis that the entire 4% belonged to Leucadia," it said. Leucadia's writ, filed with the Supreme Court of Western Australia on Sept. 1, is seeking a declaration that the agreement does not permit the issuance of additional notes, and damages against both Fortescue and Forrest for "misleading and deceptive conduct". Fortescue said Friday that its funding strategies are not reliant on the outcome of the legal process. FMG fell 9 cents (1.84%) to \$4.80.

Sigma Pharmaceuticals (SIP)

Sigma said it may face a shareholder class action alleging it failed to disclose information required under corporations laws ahead of its \$297m equity raising last year. Sigma said it has "received correspondence foreshadowing a proposed representative proceeding...relating to alleged non-disclosure" by the company prior to its September 2009 capital-raising. Sigma said the amount of the claim hasn't been quantified but it will defend itself should legal proceedings be commenced. The firm raised \$297m last year through a one-for-three entitlement issue underwritten by Deutsche Bank at \$1.02 per share, a 16% discount to its prevailing share price. SIP weakened 1 cent (2.06%) to \$0.48.

Economic News

New Auto Sales Fall

Sales of new cars and trucks fell a seasonally adjusted 0.3% in August versus July, according to industry figures. The Federal Chamber of Automotive Industries said that 82,122 vehicles were sold in August, or 12.1% more than August 2009 in original terms. Year-to-date industry sales were 695,666 in 2010, up 15.2% or 91,823 vehicles from the same time a year earlier. The FCAI said passenger vehicle sales rose 3.5% in August on year, while sales of sports utilities were up 32.5%.

Companies commencing Ex-Dividend Trading Today (ASX 300):

AGL Energy Limited

Air New Zealand Limited

AMP Limited

Aquarius Platinum Limited

Beach Energy Limited

BHP Billiton Limited

Kingsgate Consolidated Limited

Leighton Holdings Limited

Lend Lease Group

Linc Energy Ltd

McPherson's Limited

Monadelphous Group Limited

OneSteel Limited

Panoramic Resources Limited

Salmat Limited

Sky City Entertainment Group Limited