Week
17

Stories To Read From FNArena
Friday, 27 April 2018

FNArena
Financial News, Data & Analysis

GPO Box 3145
Sydney NSW 2001

info@fnarena.com

Your editor
Rudi Filapek-Vandyck

Your dedicated team of journo's
Greg Peel
Eva Brocklehurst

Contents

Is Link On The Acquisition Trail?

Link Administration has made a surprise equity raising and brokers suspect a small acquisition may be in the offing.

-Timing of capital raising considered opportunistic, given share price bounce -Near-term downside risks as market absorbs additional equity -Soft top-line growth makes it hard for some brokers to justify higher multiples

By Eva Brocklehurst

Link Administration ((LNK)) has announced a $300m fully underwritten institutional placement and non-underwritten share purchase plan. Funds will be used to pursue strategic opportunities, although Morgans suggests some trust in management is required as there is no actual acquisition being announced.

The main concern is that management is over stretching as the integrations of Superpartners and Link Asset Services are continuing, although Superpartners is at an advanced stage. Still, the broker suspects management must be progressing some strategic opportunities, likely to be smaller bolt-on businesses.

Further acquisitions could enhance a strong growth profile and Morgans maintains an Add rating. The placement will be conducted at $8.50 a share and reduce the pro forma net debt/EBITDA multiple to 1.6x from 2.5x. Citi points out the company was always a little uncomfortable with the high level of gearing post the Link Asset Services acquisition.

Link has successfully grown via multiple acquisitions in the past and brokers suspect the timing of this capital raising is opportunistic, as the share price has bounced recently and market volatility is increasing.

At the results briefing in February, Credit Suisse notes the company was optimistic about the opportunities for small acquisitions in Link Asset Services, and this may be an initial focus. Regardless, the additional capital will give the company to the ability to respond quickly to opportunities as they arise.

UBS estimates acquisition capacity of $550m after the raising, expecting dilution from the capital raising could be fully offset over time should the company deploy the funds into acquisitions.

Macquarie calculates the raising to be -4% dilutive to earnings, net of reduced interest expenses and removal of the dividend reinvestment plan. This assumes around 15% of retail shareholders participate.

Risks

Longer-term value is envisaged but the broker is cognisant of the downside risks in the near term, as the market absorbs the additional equity. Macquarie does not expect an acquisition of the same scale as Superpartners or LAS, given the busy integration schedule currently underway.

A material acquisition before the current integration has progressed would produce execution risks and cause a de-rating in the share price, the broker contends. While acknowledging the company is delivering earnings growth through cost reductions and M&A, Credit Suisse observes top-line growth appears relatively low and this makes it difficult to justify a higher multiple.

In contrast, Citi gives the company the benefit of the doubt and retains a Buy rating, although lowers its target to reflect the dilution. While there is a risk that sentiment may be hurt by the surprise equity raising, the prospect of another acquisition should extend the growth story.

Moreover, the company has reiterated synergy targets for a further $35m in savings from the Superpartners integration amid Link Asset Services synergies of at least GBP15m per annum. Citi's analysis continues to indicate these are likely to be conservative estimates.

FNArena's database shows three Buy ratings and two Hold. The consensus target is $9.27, suggesting 14.7% upside to the last share price. This compares with $9.44 ahead of the raising announcement.

Galaxy Depends Heavily On Mt Cattlin Upgrade

Costs were higher than forecast for lithium miner Galaxy Resources in the March quarter and brokers await process enhancements, expected to improve the production profile going forward.

-Increased ore volumes being processed meant cash costs were substantially above broker estimates -New area to the east should deliver lower strip ratio and better grades in December -Key catalysts include an updated feasibility study at Sal de Vida, permits hand offtake agreement

By Eva Brocklehurst

Galaxy Resources ((GXY)) disappointed brokers in the March quarter, as costs rose and feed grades dropped at Mt Cattlin. Increased volumes of ore being processed, coupled with the drop in feed grade, led to higher costs.

Shipments of 44,300t over the quarter were above the required 5.5% lithium grade and moisture and mica content were below contract specifications. Yet, 43,900t of spodumene concentrate production was -16% below the December quarter.

The March quarter results were not what UBS expected as total mined volumes were up 69%, which meant cash costs were well above estimates, at US$415/dmt.

The average grade of treated ore was 1.11% versus several broker estimates of 1.2%. The company did not report the average grade of ore that was mined in the quarter but Morgan Stanley suspects it was below forecasts. Production cash costs were up 28% from the December quarter and 31% above the broker's estimates.

Production and grades were lower than Macquarie expected while costs exceeded its forecast by 20%. The broker assumes a similar cost and production profile over the second quarter and maintains an Underperform rating.

Citi sticks with its Buy/High Risk rating but revises its earnings numbers down by -19% for 2018 on the back of the lower production and higher costs from Mt Cattlin. The broker highlights the fact the company has stopped disclosing realised pricing. Galaxy provided no comment on sales prices, other than to say that these were achieved at the higher 2018 contract price.

UBS forecasts a 10% lift in prices to US$919/t for 5.5% grade concentrate. As mining has moved to a new area with a relatively higher strip ratio, material movement is expected to stay high for the next 3-4 quarters. Grades, however, should lift back to around 1.2% in the June quarter, in the broker's view.

Galaxy is also intent on securing a new mining area to the east that should provide higher grade material and a lower strip ratio. Mining is expected to start in December.

Mt Cattlin Upgrade

The company's stated intention to improve recoveries is on track, with construction and commissioning of process plant improvements to be completed in the September quarter. The initiatives include ultra-fines DMS and secondary float re-crush circuits as well as a final product optical sorter.

Galaxy expects recoveries will improve to the mid 60% range then achieve nameplate of 70-75% in the December quarter. Morgan Stanley is a little more cautious and forecasts average recoveries to increase slightly to 60% in the second half of 2018 and then to 70% by the second half of 2019.

UBS suggests, if these recoveries are not achieved, then forecast production of 200,000t may not be achieved. The company has forecast annual production to lift to 220-240,000t once higher yields are achieved at Mt Cattlin. Citi estimates 201,000t in 2018, 210,000t in 2019 and 230,000t in 2020.

Sal de Vida

Brokers agree the Sal de Vida project requires several upcoming catalysts if approval from the board is to take place by the end of the year. These include an updated feasibility study, permit approvals and offtake agreements.

The capital and operating expenditure requirements of the feasibility study are being reviewed to take into account current market conditions and are due for completion in the June quarter. No details were provided on offtake discussions.

Macquarie lists the next catalysts as a development pathway and updated feasibility study for Sal de Vida, exploration and initial feasibility work at James Bay and a successful outcome for Mt Cattlin's upgrade.

FNArena's database shows two Buy, two Hold and one Sell (Macquarie). Ord Minnett is yet to update on the report. The consensus target is $3.52, suggesting 22.2% upside to the last share price. Targets range from $3.00 (Macquarie) to $4.50 (Citi).

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Healthier Growth Required From Blackmores

Several issues, mostly one-off, plagued Blackmores in the March quarter and some brokers query whether the growth profile justifies the elevated valuation.

-Discounts and rebates affected margins in the March quarter -Catalent acquisition should mitigate supply risk and expand margins -Can the company refrain from discounting to drive sales?

By Eva Brocklehurst

March quarter net profit rose 18% but Blackmores ((BKL)) disappointed broker expectations and a strong fourth quarter is now required to meet forecasts. Several one-off issues affected the company's business in the period, although management has signalled that sales growth did accelerate towards the end of the quarter.

Blackmores highlights supply chain disruption and Chinese customer renegotiations as the one-off issues affecting business in China in the quarter, while discounts and increased rebates stymied the margins the company commanded.

Sales were solid in the Australian division, albeit essentially flat on the comparable quarter. The company said it had achieved gains in market share but trading was affected by supply challenges. Sales in China, up 7% quarter on quarter, were below the company's expectations because of the aforesaid disruptions. In other areas of Asia revenue rose strongly.

Blackmores has stepped up its marketing activity, particularly in China. Demand for the company's products and brand position remains very strong and Ord Minnett considers this justifies an Accumulate rating, along with a clear path to margin expansion.

Earnings and sales margin should improve, management asserts, as rebates diminish as a percentage of sales. Yet, for Credit Suisse to become more positive about the stock, growth in China needs to accelerate behind a broad-based marketing strategy.

Results at the earnings level were weaker than Morgans expected, and this is seasonally the stronger trading period for the company. The broker reduces net profit estimates over FY18 and FY19 by -3.9% and -7.7% respectively.

Since the first half result the share price has been weak and Morgans believes the growth profile does not justify the elevated valuation multiples that the stock was trading on at the start of the year. Quarterly results were also underwhelming compared with growth rates reported by the company's China-leveraged peers, in the broker's view.

CLSA downgrades the stock to Outperform from Buy and its target to $137.50 from $169.00. The broker had expected margins would expand from lower rebates and strong sales in China during the quarter but this did not eventuate.

Catalent Australia

The company has announced the acquisition of Catalent Australia for $43.2m, a tablet and soft-gel capsule manufacturing facility in Victoria. This should mitigate supply risk and lead to expanding margins as the company integrates the business. The transaction will be completed by October 2019 as third-party contracts are wound down.

The factory will internalise up to 50% of Blackmores' manufacturing volume. The site is currently producing 15% of its volume and should add around $7m in operating earnings in FY21 when it ramps up to 50%.

Hence, Credit Suisse upgrades FY20 estimates, the fiscal year when the accretive transaction will take effect, and suggests the acquisition is a good tactical move as a company will benefit from flexibility, innovation and shorter lead times.

Blackmores intends to reconfigure the site to suit its needs, stating that the size of its business now justifies an investment in the supply chain, and will look to reinvest some of its efficiency gains back into building its brand.

Morgans suggests the acquisition should provide greater control over production and the broader supply chain, aiding the company's position in Asia and the registration of its products.

Ord Minnett envisages strategic benefits from the acquisition, including licenses and production flexibility. The broker considers the operating risk profile the business has also improved.

While CLSA acknowledges the potential for margins to expand through FY20, and Catalent should help, concerns centre on whether the company can produce more effective marketing and formulate the right strategy in China to take advantage of the long-term opportunity.

Moreover, the broker queries whether the company can refrain from discounting in order to drive sales. CLSA, not one of the eight stockbrokers monitored daily on the FNArena database, decreases FY19-20 estimates for operating earnings by -11.4-16.6%.

The database shows one Buy (Ord Minnett) and two Hold ratings for Blackmores. The consensus target is $130, suggesting 6.7% upside to the last share price. Targets range from $115 (Morgans) to $145 (Ord Minnett).

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Material Matters: Nickel, Alumina & Lithium

A glance through the latest expert views and predictions about commodities. Nickel; alumina; thermal coal; iron ore; lithium; and Kirkland Lake.

-Battery demand could eventually segment nickel market based on purity -Credit Suisse suspects alumina buying panic will be short lived -Higher CV coal could outperform if China reduces low-quality imports -Discounts for low-grade iron ore start to narrow -Canaccord Genuity envisages lithium oversupply unlikely until 2020

By Eva Brocklehurst

Nickel

Nickel inventory held at both the London and Shanghai exchanges has declined -14% this year. CBA analysts note this is at odds with other industrial metals such as aluminium, zinc and copper, for which stockpiles have generally increased.

Nickel prices have also lifted since the US began sanctions against Russian companies and officials. Yet unlike aluminium, there has been no explicit sanctions against nickel producers.

Markets remain concerned that Norilsk Nickel, linked to both Rusal and sanctioned oligarch Oleg Deripaska, could eventually face sanctions. Norilsk Nickel accounts for around 9% of global nickel supply.

Nickel prices have also found support after Vale reported a -18% fall in production in the first quarter. Vale accounts for around 10% of global nickel production.

The analysts recently upgraded the nickel price outlook to reflect growing concerns of a deficit. Prices are still expected to slip over the next 12-18 months, as rising supply of nickel ore and nickel pig iron weigh on prices.

Indonesia's government has now approved over 32mt of low-grade nickel ore exports, which could add up to around 14% of global nickel supply in 2018.

CBA analysts expect nickel to average US$6.19/lb in 2018 and US$5.75/lb in 2019. The main upside risk for higher-quality nickel is expected to be battery demand. The analysts note a higher quality nickel is produced predominantly through the sulphide route although laterite ores are also an option.

While nickel sulphate demand will lift in response to advances in battery demand and technology, timing is considered critical. Markets currently discount the impact of batteries on nickel markets, citing the fact that batteries only account for around 4% of global nickel demand.

However, the analysts point out that high-purity nickel production is a better gauge of the supply that is available for battery consumption. On this measure, batteries account for around 9% of the relevant supply, expected to rise to around 30% by 2030. The analysts suspect battery demand will eventually segment the nickel market by purity.

Meanwhile, stainless steel, accounting for two thirds of nickel demand should continue to drive prices in the short to medium term. If China's stainless steel output maintains its current pace, the analysts expect nickel prices to track higher than current forecasts.

Alumina

The alumina price index jumped US$160 to US$710 on April 18 amid reports a 30,000t Brazilian cargo changed hands at US$800/t. Credit Suisse suggests such an absurd price was based on fear.

The Alunorte refinery has been curtailed by 50% and there are fears other refineries could also be cut back. The broker expects the panic will be short-lived and alumina could be in oversupply before the end of the year.

With shipments to Russia being sanctioned, this will free up alumina for the seaborne market and Chinese traders are likely to seize the arbitrage and export, increasing supply.

Thermal Coal

Australian thermal coal producers are still in negotiations with Japanese power utilities for the annual contracts that run from April 1 2018 to March 31 2019. UBS suspects buyers have been reluctant to settle on a price amid expectations that China's thermal coal market will ease back after the winter.

Chinese authorities have moved to ban coal imports at a number of ports in the south of the country. While it's too early to determine the full impact on seaborne thermal coal, if imports are discriminated on quality, the broker suspects high CV prices may outperform low CV/higher ash coal.

On the supply side, tight volumes are expected to keep prices supported. UBS believes demand will remain firm for higher CV coal if China reduces lower quality imports. The broker forecasts thermal coal prices to trade between US$79-95/t throughout 2018-20.

Iron Ore

Discounts for low-grade iron ore have started to narrow and are now less than 40% versus the peak of 50%, UBS observes. Meanwhile, Chinese port inventory fell from its peak of 162mt to around 160mt a week or so ago.

The broker believes this reflects a ramping up of iron ore demand, as blast furnaces are re-fired post the winter reductions. Crude steel output is expected to rise this month and, elsewhere, Chinese domestic iron ore supply has begun to lift.

UBS suggests the balance between accelerating steel demand in the June quarter, a return of supply and a drawdown of inventory will be critical for iron ore benchmark prices and the discounts/premia over coming months.

The broker forecasts benchmark iron ore at US$65/t in the June quarter and Fortescue Metals ((FMG)) should benefit from narrower low-great discounts.

Lithium

Amid fears of oversupply, prices of lithium producers have slumped. Canaccord Genuity believes the down move is overstated and remains much more positive for the near term.

Recent headlines have been dominated by plans for major expansions to mines in the Atacama Desert. In the broker's estimates, mined production does not equal lithium carbonate supply. While converter capacity could increase around six times by 2025, mine output could significantly outpace this and act as a bottleneck in the supply chain.

Updating market balance estimates means the broker suspects oversupply will not be an issue until 2020, offset by larger surpluses from 2021-24 before a return to deficit in 2025. Moreover, given the poor track records from producers, the risks are to the downside.

Despite modest downward revisions to valuations, Canaccord Genuity remains bullish on equities and expects a near-term re-rating on the back of stronger pricing over 2018. The broker estimates that ASX/TSX lithium equities are implying an average price of US$7,763/t versus its 2018 forecasts of US$14,650/t and a long-term price forecast of US$10,950/t.

Kirkland Lake

Gold and silver have gained recently because of geopolitical concerns which is likely to continue to underpin precious metal prices, Macquarie believes. The broker has initiated coverage of Canadian gold miner, Kirkland Lake ((KLA)), which recently listed on the ASX, with an Outperform rating and $25 target.

Macquarie believes Kirkland Lake can organically grow production to around 900,000 ounces per annum based on Fosterville and Macassa, its two key assets. Fosterville is expected to upgrade reserves at the Swan ore body after down-plunge exploration.

Meanwhile, Macquarie envisages potential for Macassa to double production to 400,000 ounces per annum as additional hoisting capacity provides access to a greater mine area.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Weekly Ratings, Targets, Forecast Changes

By Rudi Filapek-Vandyck, Editor FNArena

Guide:

The FNArena database tabulates the views of eight major Australian and international stock brokers: Citi, Credit Suisse, Deutsche Bank, Macquarie, Morgan Stanley, Morgans, Ord Minnett and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Monday April 16 to Friday April 20, 2018 Total Upgrades: 15 Total Downgrades: 4 Net Ratings Breakdown: Buy 45.74%; Hold 39.30%; Sell 14.96%

Positive news followed through thick and fast last week in the form of stockbroker recommendation upgrades. For the week ending April 20th, 2018 FNArena registered no less than 15 upgrades for ASX listed stocks, against only four downgrades, of which two went to Evolution Mining.

Further adding to the positive current is the observation that five out of the fifteen recommendation upgrades went to Neutral; meaning two thirds moved up to Buy (or an equivalent).

Amongst stocks receiving upgrades we find Challenger, Hub23, Ingham's, Netwealth and Origin Energy. OZ Minerals was good for two upgrades during the week, both went to Buy.

The good news continues with positive adjustments to valuations/price targets outnumbering reductions, with the added observation that negative amendments, while fewer, have been far greater in isolated cases.

Thus while Perpetual, Bank of Queensland and Janus Henderson steal the show with price target cuts between 6.9%-10.7%, the positive side has South32, NextDC, Primary Health Care and Rio Tinto all enjoying 3%+ increases to consensus targets.

The tables ranking changes to earnings estimates further support the positive undercurrent. Oz Minerals suffered -6% to forecasts, followed by Bank of Queensland (-3%) and Mt Gibson (-2%), but Alumina ltd commands top dog status for the week with a gain of no less than 22%, beating Rio Tinto (+8%) and Fletcher Building (+7%).

Upgrade

BANK OF QUEENSLAND LIMITED ((BOQ)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 1/4/2

Underlying trends remain challenging for the bank as revenue growth is constrained, Macquarie observes. While Bank of Queensland is affected by elevated funding costs in the near term, the broker continues to believe banks will re-price mortgages to offset the impact.

Macquarie upgrades to Neutral from Underperform. Target is reduced to $11.00 from $12.50.

CHALLENGER LIMITED ((CGF)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 1/5/1

Funds management revealed strong momentum in the March quarter, Macquarie suggests, particularly in the context of a fairly weak quarter for other listed fund managers. FY18 guidance for normalised net profit of $545-565m has been maintained.

Macquarie upgrades to Outperform from Neutral, expecting net book growth rates to be sustained and with near-term credit quality metrics holding up. Target is raised to $13.00 from $12.95.

GENERATION DEVELOPMENT GROUP LIMITED ((GDG)) Upgrade to Add from Hold by Morgans .B/H/S: 1/0/0

Generation Development Group has announced its funds update for the March quarter. Investment bond sales were up 84%. Morgans likes the long-term story and, subsequent to recent changes to superannuation rules, expects alternative low-tax investment options like investment bonds will experience significant structural growth.

The business is profitable and the company is at an inflection point where performance can be significantly ramped up. The broker upgrades to Add from Hold and raises the target to $1.33 from $1.28.

HUB24 LIMITED ((HUB)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 2/0/0

The March quarter was the company's second strongest overall, which impressed Ord Minnett given flows typically start off the year slowly. Existing forecasts are supported by groups already using the platform and new wins are incremental to the broker's base case.

Ord Minnett calculates a valuation gap has now emerged and its target of $11.85, revised up from $11.00, offers 11% upside. As structural tailwinds are strengthening, the broker upgrades to Buy from Hold.

HARVEY NORMAN HOLDINGS LIMITED ((HVN)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 1/4/2

While Ord Minnett believes there is an absence of positive catalysts and risks are skewed to the downside, valuation support is now emerging at current share prices. Hence, the broker upgrades to Hold from Lighten. The target is lowered to $3.65 from $3.75.

The broker incorporates lower forecasts for sales and margins in franchising operations in FY18, along with the $28.8m write-off of a loan associated with the Coomboona dairy JV.

INGHAMS GROUP LIMITED ((ING)) Upgrade to Buy from Neutral by Citi .B/H/S: 4/2/0

Citi has upgraded to Buy from Neutral with a price target of $3.90, up from $3.60. The analysts have come to the conclusion the domestic market backdrop has become more favourable, with higher prices and limited competition from other proteins.

Earnings estimates have been lifted by 1-3%. There is also potential for additional support from a share buyback, suggests Citi.

JANUS HENDERSON GROUP PLC. ((JHG)) Upgrade to Buy from Neutral by Citi .B/H/S: 4/2/0

Citi adjusts estimates to account for recent flow data, lowering forecasts for earnings per share in FY18 by -2% and FY19 by -1%.

Although net outflows present a harsh backdrop for the stock, the sell-off has been significant and Citi believes there are positive aspects that signal value and provide support for the equity market.

Rating is upgraded to Buy from Neutral. Target is lowered to $47.50 from $50.00.

MIRVAC GROUP ((MGR)) Upgrade to Buy from Hold by Deutsche Bank .B/H/S: 4/2/1

Deutsche Bank upgrades to Buy from Hold after analysing the retail tenancy mix. The conclusion is that the leases are affected by online, given the over-exposure to food catering and retail services. Mirvac has the lowest exposure to apparel.

The upgrade is based on upside to the current share price, the high quality retail and office portfolio and the stock trading at a -2% discount to NTA. Target lifts to $2.36 from $2.35.

NETWEALTH GROUP LIMITED ((NWL)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 1/1/1

Ord Minnett believes the pullback in the March quarter funds update is a buying opportunity after the company's share of net flows accelerated to 26% in the preceding quarter.

The broker notes industry trends driving advisers towards independent platforms underpin the business. Rating is upgraded to Buy from Hold. Target is reduced to $6.40 from $6.48.

ORIGIN ENERGY LIMITED ((ORG)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 6/2/0

Origin's position as a firm provider of +3GW of electricity is increasingly attractive, Macquarie suggests, as grid-grade wind and solar farms emerge to meet renewables targets. A mild summer, and the increasing growth of household solar, saw a drop in demand, but surplus gas can be redirected to exports, the broker notes.

Stronger oil prices are supporting APLNG cash flows, while cost initiatives provide for further upside. Put it together and Macquarie has upgraded to Outperform from Neutral. Target rises to $9.89 from $9.21.

OZ MINERALS LIMITED ((OZL)) Upgrade to Neutral from Underperform by Credit Suisse and Upgrade to Add from Hold by Morgans .B/H/S: 3/3/0

OZ Minerals' March Q production numbers are in line with 2018 guidance and Credit Suisse forecasts. There has been no change to the Carrapateena development timetable.

Carra progress leads the broker to de-risk valuation to 85% from 75%, which combined with revised commodity price and FX assumptions leads to a target price increase to $9.05 from $8.55. This in turn leads Credit Suisse to upgrade to Neutral from Underperform.

Morgans believes the company is on track to meet 2018 guidance amid stable production. The broker lifts copper price assumptions slightly for 2018-19.

This year is considered the peak for construction and expenditure at Carrapateena and Morgans lowers its risk weighting on Carrapateena to 75%. The broker is backing the company's ability to bring the project on line and upgrades to Add from Hold. Target is raised to $10.05 from $9.80.

PERPETUAL LIMITED ((PPT)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 0/6/1

Net flows were a negative -$1.3bn in the March quarter, primarily Australian equities in the institutional channel. Ord Minnett observes a number of challenges in the near term, including market volatility, outflows and the replacement of the CEO.

However, the fall in the share price means the stock is trading on a forward PE multiple of less than 14x and a fully franked dividend yield of more than 6%.

The broker upgrades to Hold from Lighten, envisaging less downside risk to the current share price relative to other listed fund managers. Target is reduced to $45.00 from $49.50.

THE STAR ENTERTAINMENT GROUP LIMITED ((SGR)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 8/0/0

Credit Suisse has reassessed its Star valuation to take into account the capital raising, faster growth in VIP revenue and weakness in Brisbane earnings, which together lead to -6-7% earnings forecasts reductions.

Target falls to $5.60 from $5.90 but, as the share price has fallen further, the broker upgrades to Outperform from Neutral.

WHITEHAVEN COAL LIMITED ((WHC)) Upgrade to Neutral from Sell by Citi .B/H/S: 5/3/0

Whitehaven Coal's March quarter production report has triggered an upgrade to Neutral from Sell, supported by Citi analysts also lifting coal prices input, together with a slightly increased production forecast for FY18.

Mechanical problems at Narrabri have caused a slight downgrade in the company's guidance for that particular operation. Price target rises to $4.50 from $4.20.

Note the company is currently working on optimisation around rail infrastructure and expects to lodge the environmental impact statement (EIS) for its Vickery project in the June quarter, after which the search will commence for JV partners.

Downgrade

COMPUTERSHARE LIMITED ((CPU)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 0/5/2

Ord Minnett believes the company needs to achieve significant growth in earnings from new sources, such as mortgage servicing and cost savings, and downgrades to Lighten from Hold.

The broker envisages better relative upside in other segments of the market such as general insurance or wealth management. Target is raised slightly to $16.20 from $16.00.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Neutral from Buy by UBS and Downgrade to Underperform from Neutral by Credit Suisse .B/H/S: 1/5/2

The stock has re-rated substantially and UBS now believes it is fairly priced versus its peers, downgrading to Neutral from Buy. The re-rating has occurred on the back of operating excellence and a clear strategy, the broker suggests.

In the final quarter of FY18 the company has lifted guidance by 3%. UBS notes individual guidance for each mine has not changed but the mines are achieving at the top end of expectations. Target is raised to $3.40 from $3.16.

Credit Suisse downgrades to Underperform from Neutral on the strength in the share price. Target is raised to $2.65 from $2.52.

Strength in the March quarter has delivered an upgrade to FY18 guidance, to 191,500 ozs. The broker notes Ernest Henry continues to deliver as it capitalises on elevated copper levels.

SCENTRE GROUP ((SCG)) Downgrade to Hold from Buy by Deutsche Bank .B/H/S: 4/2/1

Deutsche Bank downgrades to Hold from Buy after analysing the retail tenancy mix. The broke notes the business is heavily exposed to high-risk online categories such as apparel and home wares.

The broker reduces the leasing spread forecast to -1.5% for the next five years. Target falls to $4.22 from $4.30.

Total Recommendations Recommendation Changes

Broker Recommendation Breakup

Broker Rating Order Company New Rating Old Rating Broker Upgrade 1 BANK OF QUEENSLAND LIMITED Neutral Sell Macquarie 2 CHALLENGER LIMITED Buy Neutral Macquarie 3 GENERATION DEVELOPMENT GROUP LIMITED Buy Neutral Morgans 4 HARVEY NORMAN HOLDINGS LIMITED Neutral Sell Ord Minnett 5 HUB24 LIMITED Buy Neutral Ord Minnett 6 INGHAMS GROUP LIMITED Buy Neutral Citi 7 JANUS HENDERSON GROUP PLC. Buy Neutral Citi 8 MIRVAC GROUP Buy Neutral Deutsche Bank 9 NETWEALTH GROUP LIMITED Buy Neutral Ord Minnett 10 ORIGIN ENERGY LIMITED Buy Neutral Macquarie 11 OZ MINERALS LIMITED Buy Neutral Morgans 12 OZ MINERALS LIMITED Neutral Sell Credit Suisse 13 PERPETUAL LIMITED Neutral Sell Ord Minnett 14 THE STAR ENTERTAINMENT GROUP LIMITED Buy Neutral Credit Suisse 15 WHITEHAVEN COAL LIMITED Neutral Sell Citi Downgrade 16 COMPUTERSHARE LIMITED Sell Neutral Ord Minnett 17 EVOLUTION MINING LIMITED Neutral Buy UBS 18 EVOLUTION MINING LIMITED Sell Neutral Credit Suisse 19 SCENTRE GROUP Neutral Buy Deutsche Bank Recommendation Positive Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 OZL OZ MINERALS LIMITED 50.0% 14.0% 36.0% 6 2 CLW CHARTER HALL LONG WALE REIT 17.0% -17.0% 34.0% 3 3 S32 SOUTH32 LIMITED 14.0% -14.0% 28.0% 7 4 FBU FLETCHER BUILDING LIMITED 60.0% 33.0% 27.0% 5 5 ING INGHAMS GROUP LIMITED 67.0% 50.0% 17.0% 6 6 CGF CHALLENGER LIMITED -6.0% -21.0% 15.0% 8 7 ORG ORIGIN ENERGY LIMITED 69.0% 56.0% 13.0% 8 8 RIO RIO TINTO LIMITED 88.0% 75.0% 13.0% 8 9 BOQ BANK OF QUEENSLAND LIMITED -19.0% -31.0% 12.0% 8 10 SGR THE STAR ENTERTAINMENT GROUP LIMITED 100.0% 88.0% 12.0% 8 Negative Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 SCG SCENTRE GROUP 36.0% 50.0% -14.0% 7 Target Price Positive Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 S32 SOUTH32 LIMITED 3.560 3.296 8.01% 7 2 NXT NEXTDC LIMITED 7.583 7.155 5.98% 7 3 PRY PRIMARY HEALTH CARE LIMITED 3.677 3.563 3.20% 7 4 RIO RIO TINTO LIMITED 85.689 83.156 3.05% 8 5 WHC WHITEHAVEN COAL LIMITED 4.758 4.656 2.19% 8 6 ING INGHAMS GROUP LIMITED 3.925 3.875 1.29% 6 7 ORG ORIGIN ENERGY LIMITED 9.763 9.696 0.69% 8 8 OZL OZ MINERALS LIMITED 10.000 9.964 0.36% 6 Negative Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 PPT PERPETUAL LIMITED 45.600 51.083 -10.73% 7 2 BOQ BANK OF QUEENSLAND LIMITED 11.188 12.056 -7.20% 8 3 JHG JANUS HENDERSON GROUP PLC. 51.410 55.213 -6.89% 6 4 CGF CHALLENGER LIMITED 11.738 12.211 -3.87% 8 5 SGR THE STAR ENTERTAINMENT GROUP LIMITED 6.145 6.183 -0.61% 8 6 HVN HARVEY NORMAN HOLDINGS LIMITED 4.021 4.036 -0.37% 7 7 SCG SCENTRE GROUP 4.487 4.499 -0.27% 7 8 SWM SEVEN WEST MEDIA LIMITED 0.605 0.606 -0.17% 6 9 BHP BHP BILLITON LIMITED 32.753 32.796 -0.13% 8 Earning Forecast Positive Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 AWC ALUMINA LIMITED 22.109 18.101 22.14% 5 2 RIO RIO TINTO LIMITED 707.956 652.938 8.43% 8 3 FBU FLETCHER BUILDING LIMITED -6.885 -7.404 7.01% 5 4 CYB CYBG PLC 45.546 44.313 2.78% 4 5 TCL TRANSURBAN GROUP 26.928 26.245 2.60% 7 6 BHP BHP BILLITON LIMITED 219.289 214.499 2.23% 8 7 CIM CIMIC GROUP LIMITED 236.640 232.640 1.72% 5 8 S32 SOUTH32 LIMITED 29.670 29.220 1.54% 7 9 ILU ILUKA RESOURCES LIMITED 65.718 64.818 1.39% 6 10 WHC WHITEHAVEN COAL LIMITED 54.875 54.173 1.30% 8 Negative Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 OZL OZ MINERALS LIMITED 75.629 80.509 -6.06% 6 2 BOQ BANK OF QUEENSLAND LIMITED 92.088 95.100 -3.17% 8 3 MGX MOUNT GIBSON IRON LIMITED 2.700 2.767 -2.42% 3 4 SGR THE STAR ENTERTAINMENT GROUP LIMITED 26.929 27.506 -2.10% 8 5 PPT PERPETUAL LIMITED 301.000 305.429 -1.45% 7 6 LNK LINK ADMINISTRATION HOLDINGS LIMITED 40.520 41.096 -1.40% 5 7 HVN HARVEY NORMAN HOLDINGS LIMITED 33.494 33.923 -1.26% 7 8 BTT BT INVESTMENT MANAGEMENT LIMITED 61.100 61.667 -0.92% 6 9 MHJ MICHAEL HILL INTERNATIONAL LIMITED 5.506 5.556 -0.90% 4 10 PRY PRIMARY HEALTH CARE LIMITED 17.083 17.226 -0.83% 7 Technical limitations

If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Uranium Week: Nationalise Nuclear Power?

As more US nuclear power plants warn of closure in the face of cheap gas-fired power, might the government need to nationalise the industry in the name of energy security?

-White House to consider drastic action -Little movement in spot prices -Australian producers report quarterly production

By Greg Peel

Two weeks ago US utility FirstEnergy appealed to the state legislatures of Ohio and Pennsylvania to consider policy decisions that would prevent the closure of the company's nuclear plants in those states due to an inability to compete with gas-fired power. FirstEnergy also appealed to the US Department of Energy to provide assistance under the Federal Power Act (202), and filed for bankruptcy protection.

The signals from the DoE have since been mixed, given 202 allows the department to order power plants to stay open in times of war or natural disaster. However, the Trump Administration is reported to be considering the implementation of the Defense Production Act, last used in 1950, to keep financially challenged coal-fired and nuclear power plants on line.

Bloomberg reports the White House is investigating how best to implement the policy, which provides the government with sufficient latitude to nationalise private industry in the name of security.

In the meantime, activity in the uranium spot market continues to underwhelm. Industry consultant TradeTech reports four transactions concluded in the week totalling 850,000lbs U3O8 equivalent. Utilities were among the buyers.

There is some interest being shown for deliveries in late 2018 to early 2019, TradeTech reports. The consultant's weekly spot price indicator has risen US25c to US$20.75/lb.

Term price indicators remain at US$25.50/lb (mid) and US$28.00/lb (long).

Australian Production

Uranium production at BHP's ((BHP)) Olympic Dam mine in South Australia increased 18% in the March quarter from the same period last year. Material mined increased 48% and ore milled increased 295%, with grades increasing 22%.

On the other hand, sales fell to 1.1mlbs from 1.8mlbs a year ago.

Production at Paladin Energy's ((PDN)) Langer Heinrich mine in Namibia fell -23% in the quarter. Paladin continues to process long-term stockpiles, having mined no uranium in all of 2017 in line with the company's production curtailment plan. Ore milled declined -9%, grade -17% and sales -55% at an average of $22.15/lb.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

The Short Report

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

Summary:

Week ending April 18, 2018

Last week saw the ASX200 rally another hundred points towards 5900, largely driven by rising commodity prices, themselves driven by US sanctions and geopolitical concerns.

It would appear short-side players went on holidays last week. There were no movements recorded of one percentage point or more in the 5% plus shorted table. The handful of red and green moves below represent minor bracket creep.

Resource sector stocks are not heavily weighted by number amongst those stocks 5% or more shorted, despite the top of the table incumbent by a margin being Syrah Resources ((SYR)). Battery-related miners are overrepresented, being Syrah and three of the major lithium names. We can also argue that these days nickel is as much of a battery story as anything else, and Independence Group ((IGO)) and Western Areas ((WSA)) also appear.

Otherwise, diversified miner Rio Tinto ((RIO)) sits at the bottom of the table, tin/copper miner Metals X ((MLX)) is the only other base metal player, and Karoon Gas ((KAR)) is the only stock on the table directly affected by the oil price.

Hence it stands to reason big moves in commodity prices do not lead to a major shake-up of all stocks 5% or more shorted.

No Movers & Shakers this week.

Weekly short positions as a percentage of market cap:

10%+

SYR 22.0 DMP 17.1 JBH 16.7 GXY 15.4 NAN 13.3 HSO 13.3 VOC 12.7 MYR 11.5 HT1 11.4 APO 11.1 ORE 11.0 MYX 10.9 RFG 10.8 IGO 10.7 AAC 10.2

No changes

9.0-9.9

NWS, PLS

In: PLS Out: APT

8.0-8.9%

APT, BWX, FLT, AAD, HVN, MTS

In: APT

7.0-7.9%

IVC, WEB, TGR, IPH, GMA, BAP, BGA

In: WEB, IPH Out: GEM

6.0-6.9%

GXL, QUB, TPM, CSR, ING, IFL, SUL, MLX, SEK, GEM, KAR, BIN, BEN

In: GEM Out: WEB, IPH, WSA

5.0-5.9%

NSR, WSA, MOC, MAQ, AHG, JHC, BKL, PRY, IMF, CCP, RIO

In: WSA Out: RSG, SHV

Movers & Shakers

See above.

ASX20 Short Positions (%)

To see the full Short Report, please go to this link

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio - a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option ("buy-write") position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a "long" position in that stock.

Another popular trading strategy is that of "pairs trading" in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a "net neutral" market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are "short". Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

The Wrap: Banks, Gaming, Telstra & Utilities

Weekly Broker Wrap: banks; gaming; Telstra and utilities.

-Royal Commission signals banks may need to significantly improve underwriting standards -Aristocrat Leisure's digital exposure provides advantage in rapidly growing mobile gambling -Telstra could be facing significant mobile disruption -Demand for gas likely to be higher under most emission reduction scenarios

By Eva Brocklehurst

Banks

The Royal Commission into banking misconduct raises questions for UBS regarding the quality of Westpac's ((WBC)) mortgage book. While the bank has undertaken significant work to improve its underwriting standards, the broker expects, along with other major banks, this will need to be sharpened further, and could potentially lead to a reduction in credit availability.

UBS downgrades Westpac to Sell from Neutral and incorporates significantly higher risks than previously assumed, believing APRA's mortgage serviceability review could also be a game-changer.

Macquarie, on the other hand, believes the risks from the Royal Commission are being captured in current valuations but does note the absence of a visible catalyst for the sector to re-rate in the near term.

The broker's analysis suggests that retail investors continued the trend over the first quarter of buying into weakness across all the major banks, while domestic institutional investors were net sellers of ANZ Bank ((ANZ)) and Commonwealth Bank ((CBA)) and net buyers of National Australia Bank ((NAB)) and Westpac.

CLSA continues to envisage relative valuation appeal in the banks, as the sector underperformed during the March quarter. Given soft system growth this was not a surprise.

Reviewing the sector, CLSA believes over-representation of "sticky" domestic retail investors has meant both domestic and international institutional investors are underweight these large, benchmark-heavy, high dividend yield stocks, particularly CBA.

CLSA finds reasons to be constructive on the sector and observes Australian bank PEs have de-rated sharply versus the broader market, such that valuation is no longer stretched relative to global peers. CLSA reiterates positive calls on Macquarie Group ((MQG)), Commonwealth Bank, National Australia Bank and Clydesdale ((CYB)).

Gaming

Gambling on mobiles is a large and fast-growing industry, forecast to grow 14% per annum to 2020. Ord Minnett envisages Aristocrat Leisure's ((ALL)) increased exposure to digital, estimated to account for 38% of revenue and 24% of segment profit in FY18, will provide an advantage in this industry.

Free-to-play is the most popular monetisation model as it offers multiple avenues for generating revenue across a longer timeframe. The broker suggests Aristocrat's digital portfolio diversification provides the opportunity to monetise the market better, using its market-leading ARPDAU metrics from its social casino games.

Eilers-Fantini surveyed 136 slot manufacturers in North America in the March quarter with operations across 587 casinos and 23,752 retail outlets. Macquarie deduces from the survey that Aristocrat continues to take share across the key Class 3 participation segment, supported by game performance.

Outright sales are healthy and attracting 25% ship share and this is expected to continue. The broker upgrades Class 3 participation installations and ship share forecasts for the company.

Meanwhile, the performance of Ainsworth Game Technology ((AGI)) appears steady, with ship share around 4%. Game performance is also tracking around floor average.

Buyers expect to allocate 4% of units purchased to Ainsworth, although this excludes a potential 600 units sale in Kentucky. Including this sale would boost ship share by around 1% but Macquarie points out the should be considered a one-off event.

Telstra

Morgan Stanley has a bearish view on Telstra ((TLS)) based on the competition exerting downward pressure on earnings and returns. Mobiles, the company's largest earnings contributor, is the area where disruption risk is highest. The broker points to some similarities with Orange in France.

Orange posted its first quarter of positive mobile revenue growth in 6.5 years recently and Morgan Stanley believes the long period of revenue stagnation was caused by mobile disruption. Rival Iliad launched a new fourth French mobile network in 2012 and by the end of 2017 had accumulated a 17% market share.

Morgan Stanley suggests Telstra faces a similar situation Australia versus TPG Telecom ((TPM)) because a disruptor mentality exists with no existing mobile profit pool to cannibalise and an established fixed line business enables cross selling opportunities.

The main difference is that TPG Telecom is yet to sign a roaming deal to give it full access to the Australian population, although the broker is confident it will be able to do so. Morgan Stanley maintains a watching brief on developments and retains a Underweight rating and $3 price target for Telstra.

Utilities

Morgan Stanley envisages some cause for optimism should the National Energy Guarantee scheme be adopted in August. The latest version of the guarantee suggests electricity pool prices will likely continue to be set under the familiar "energy-only" parameters.

The guarantee is based on a target but the broker suspects this could well change within the next year, although acknowledges the reliability aspect of the guarantee is unlikely to be triggered.

Morgan Stanley observes electricity pool prices remain the single largest potential driver for earnings change for AGL Energy ((AGL)), being Australia's largest generator.

The broker calculates a sustained movement of $20/megawatt-hour in the pool price should flow through to the company's earnings to the tune of $600-650m over the course of a 1-3-year re-pricing cycle. The next re-pricing point is July retail price changes in NSW/ACT, Queensland and South Australia.

Under most scenarios for emission reductions Morgan Stanley believes demand for gas would be higher, and this should be positive for Origin Energy ((ORG)) and APA Group ((APA)). Origin Energy is the broker's single Overweight rated stock in the sector.

Morgan Stanley suggests that both Spark Infrastructure ((SKI)) and Ausnet Services ((AST)) could benefit from further build out of renewables as both companies have upside exposure to additional transmission connections.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Subdued Outlook For Aust Pharma Industries

Soft retail conditions continue to cast a cloud over Australian Pharmaceutical Industries and brokers expect growth in FY18 will be a challenge.

-Weak consumer sentiment challenges earnings -Competitive pressure causes price deflation in retail -Another manufacturer chooses to bypass wholesale

By Eva Brocklehurst

Australian Pharmaceutical Industries ((API)) reported subdued first half results, encountering difficult trading conditions across both its retail and wholesale divisions. Underlying operating earnings (EBIT) declined by -8.3% and net profit fell by -14%.

Early signs of growth that appeared in FY17 were short-lived, Morgan Stanley observes, as distribution and retail headwinds intensified. Wholesale distribution revenue was flat while Priceline pharmacy comparable store sales declined -1.7%.

The broker asserts that despite the company claiming pharmacy distribution is on track, weak consumer sentiment has affected earnings and led to a subdued outlook. Forecasts are downgraded and Morgan Stanley maintains an Underweight rating and $1.43 target.

Growth in the store network also appears challenged, given the company's suggestion that rental demands are unrealistic. Amid concerns regarding the rolling out of the network and a soft retail environment, the broker believes cash conversion will remain low.

Retail

Bell Potter notes, within retailing, competitive pressures have caused price deflation among key product lines in health and beauty. Consequently, retail revenue declined by -0.7% and gross profit by -3.4%. The broker acknowledges second half cash flows are traditionally stronger for the company and this should be the case again in FY18.

Guidance is for the underlying result to be marginally above FY17, provided trading conditions do not deteriorate further. Still, Bell Potter is not encouraged by retail price deflation and expects it to persist for the rest of the year. As a result underlying earnings estimates are downgraded by -3.9%. FY19 estimates are downgraded by -4.9% and Bell Potter retains a Hold rating and $1.43 target.

While the company expects marginal growth, pointing to underlying sales growth of 9.8%, Morgan Stanley suggests the bigger issue is low cash conversion. The broker agrees, to meet guidance, a recovery in retail trading is required.

Pharmaceutical Benefits Scheme

PBS revenue is expected to remain under pressure as some manufacturers choose to bypass wholesale distributors and go direct to pharmacies. The company's move to diversify away from PBS revenue stream by converting independent pharmacies to the Priceline model could increase operating leverage, Credit Suisse suspects.

This leverage should come via higher distribution volumes, supply rebates and franchise service fees. Nevertheless, the broker is cautious about the retail strategy because current market conditions suggest comparable store sales are slowing while competition is increasing. Credit Suisse has a Neutral rating and $1.50 target.

Continued price discounting of prescription pharmaceuticals has eroded the earnings capacity and, as the margin claw-back from pharmacy clients is now complete, Bell Potter suggests earnings growth will be difficult in the future.

AstraZeneca announced a decision to bypass wholesalers for the distribution of a portion of its products to pharmacy. The broker notes this is the third supplier to take this path after Pfizer in 2012 and Amgen in 2017. API estimates that, over a full year, the revenue impact wholesalers will be around $100m, of which it will absorb around one third.

API has indicated it is considering the future of wholesale pharmacy, likely to be now ex-growth, including how to drive further returns from the assets.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Treasure Chest: Value Emerges For Macmahon

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Macmahon Holdings has narrowed mine contracting to Australia and Indonesia and Moelis initiates coverage of the stock.

-Significant contract at the Batu Hijau copper-gold mine -Strong growth forecast underpinned by existing contracts -Discount to peers considered unwarranted

By Eva Brocklehurst

Mining contractor Macmahon Holdings ((MAH)) has changed tack in recent years. The company, having departed Mongolia and Nigeria, has a narrower focus on Australia and Indonesia.

Moreover, recently-acquired TMM, a civil construction services provider in the Queensland coal mining industry, now enables Macmahon to become involved earlier in the project.

The company also entered an important agreement in 2017 with AMNT, operator of the Batu Hijau copper-gold mine in Indonesia. Macmahon has an alliance-style contract, with the initial scope of work to the value of US$2.9bn over the 14-year mine life.

The company will also acquire US$145.6m in mining equipment in exchange for 900 MAH shares, resulting in AMNT nominee, AMC, becoming the larger shareholder at 44.3%. AMNT and its main shareholders will support Macmahon's growth in Indonesia, and Asia, including first right of refusal to provide mining services to AMNT.

Moelis initiates with a Buy rating and 28c target and takes a conservative approach, estimating revenue will grow by 80% to $648m in FY18 and further 56% to over $1bn in FY19, underpinned by existing contracts.

The broker's FY18 estimate for operating earnings (EBIT) of $40.7m is at the low end of management's guidance of $40-50m. Moelis believes 6.5x is an appropriate multiple to apply to its FY19 operating earnings estimate of $77.8m.

Estimates exclude new growth from existing contracts as well as new contracts, although the broker assumes margins will improve in the second half of FY18. This is considered possible from an improved performance at Newcrest's ((NCM)) Telfer mine and the benefits of the gain-sharing mechanism at Batu Hijau. Moelis assumes EBIT margins stabilise at around 8%, in line with management's target.

The stock currently trades at a material discount to peers, in part, Moelis believes, because of relative scale/liquidity and capital structure, as well as concerns around customer concentration and political risk.

The discount is considered unwarranted, particularly because most of the forecast growth is underpinned by existing contracts. The broker acknowledges that any underperformance from Batu Hijau is likely to be a material risk.

However, risk management mechanisms exist, including payments to Macmahon which include a charge for equipment depreciation regardless of usage, a nil margin floor for any cost over-runs, and the AMNT shares to be held in escrow for 30 months with the potential to be bought back if mining services contracts are terminated.

The company is estimated to generate over 40% of earnings in Indonesia and is therefore also exposed to any political changes or regulatory reviews in that country. Still, the broker points out, the company has been operating in Indonesia since 2008.

Other key risks includes any delay in the turnaround at Telfer as well as general risks such as inclement weather, competitive pressure and a decline in mining activity. As background, CIMIC ((CIM)) made a hostile takeover bid at 14.5c per share in early 2017 and then subsequently sold down its 23.6% stake at 16.5c a share.

Outlook 2018: A Complex Equities De-Rating

In this week's Weekly Insights (published in two separate parts):

-Outlook 2018: A Complex Equities De-Rating -Slowing Growth, Rising Yields, High PEs -Conviction Calls -Australian Banks: Cheap, But Value? -Rudi Talks -Rudi On TV -Rudi On Tour

[Note due to ANZAC public holiday the non-highlighted items appear in part two on the website on Friday]

Outlook 2018: A Complex Equities De-Rating

By Rudi Filapek-Vandyck, Editor FNArena

Last week's disappointing labour market data released by the Australian Bureau of Statistics mark an important new development for calendar 2018, and an additional complication for global financial markets; economies are slowing down, with synchronised momentum having peaked late last year.

While it remains too early to start worrying about the next recession or global bear market for risk assets, slowing economic momentum when the Federal Reserve remains intent on further tightening ("normalising") US interest rates is not a favourable combination, to put it mildly. This new framework increases the chances for ongoing sharp volatility in markets, if not a much larger draw down in case investor sentiment suffers yet another blow.

Slowing global growth should definitely be on investors' watch as it has the potential to change existing trends, potentially reversing fortune for the US dollar, while keeping a lid on inflation expectations, on 10-year bond yields, and potentially on central banks intentions for the year ahead.

Below are some of the charts that have caught my attention recently.

****

First up, economic data have been, on balance, underwhelming over the past 2-3 months, suggesting a global synchronised loss in economic growth momentum is upon us. Nowhere has this slowing in growth momentum shown up as pronounced as it has in the eurozone.

Against this backdrop, respected newspaper columnist Ambrose Evans-Pritchard warned in the Financial Times last week about the German economy potentially heading for a recession. Others have been issuing similar warnings for the US in 2019, but the latter economy, while losing momentum too, currently still looks one of the most resilient worldwide.

****

Global manufacturing is losing momentum, and leading indicators are suggesting the weakness is likely to extend into the six months ahead, if not longer. Here investors should bear in mind several PMI indices had previously surged above 60, suggesting almost overheating industry conditions.

Economists, such as those at Danske Bank, are merely anticipating conditions for manufacturers worldwide are now heading towards a more moderate growth framework, maybe with China's PMI index sinking into negative territory again (below 50) by year-end. The underlying suggestion here is that momentum for global manufacturers, while slowing markedly, should remain positive throughout the remainder of this calendar year.

****

If everything goes according to plan, the current quarterly reporting season in the USA should reveal the strongest profit growth since 2010. Again, prospects are this season probably represents the peak, but if Morgan Stanley's leading indicator can be relied upon, the quarters ahead will show a slowing in the pace of corporate profit growth, but still show double digit percentages, and that should keep valuations supported.

****

It has been pointed out time and time again, Australian households are being squeezed by 3%+ inflation in necessities and 2% (if that) growth in average wages. The RBA makes regular references and just about every economic outlook now contains a reference to the absence of real growth in Australian wages.

Did you know the situation is pretty much the same in the world's largest economy? Real wage increases are notably in decline throughout the USA, and the graph below shows the impact on US retail sales. Prospects for spending by US companies might remain positive, US consumers have been running down their savings without a noticeable genuine improvement in their budgets. Is this the ticking time bomb we prefer not to mention, until we can no longer ignore it?

****

Chinese authorities surprised friend and foe last week with the PBoC cutting the reserve requirement ratios (RRR) for domestic lenders by 50bp, effectively loosening monetary conditions. But what does it mean? Not everybody is on the same song sheet, but it is difficult not to place the central bank's move within the context of tighter monetary conditions and slowing momentum for the Chinese economy.

As shown on the graph below, Chinese bond yields have reversed course, heading lower. To some, lower bond yields are the logical precursor to slower economic momentum. Others simply see a logical response to the PBoC loosening. The truth, probably, lies somewhere in between. Many an economist believes China will no longer be exporting inflation to the extent it has.

****

On Monday, Macquarie equity strategists tried to sooth investor worries by emphasising they had seen no reason to date to assume the current loss in global economic momentum is the harbinger for a global recession coming. Yes, global indicators are rolling over, and bond yields are on the rise, while geopolitical and other macro threats remain alive, but fundamentals underpinning share prices remain sound, according to the strategists.

Macquarie suggests investors should focus on separating "noise" from "fundamentals", albeit with the admission the global fear factor remains "high". Domestically, the banks are probably due another reduction in profit estimates, acknowledge the strategists, but they don't see a broad based downgrade cycle opening up.

The attempt to provide some positive support when the overall news flow has the potential to darken short term was accompanied by the following table:

****

Assuming global momentum is now sliding, and will continue sliding for most of 2018, equities globally will be de-rated, and that's nothing unusual point out strategists at Citi. They too suggest none of this implies disaster lies around the corner. What it does mean is equities are unlikely to repeat the performance from 2016/17; nothing we didn't already know, instinctively.

Of course, there is always the risk that a larger correction might pop up at some stage, in particular if equities continue to move sideways with a lot of volatility. A fact acknowledged by the team at Citi (with explicit reference to midterm elections in the US).

****

Finally, while equity markets have faced a much tougher environment during the first four months of the new calendar year, this hasn't necessarily translated into significant losses across the board, for every stock and for all investment portfolios.

Admittedly, being invested has been particularly painful for investors holding shares in Retail Food Group ((RFG)), down -56% in three months, in Myer Holdings ((MYR)), down -44%, in Village Roadshow ((VRL)), down -42%, in iSentia ((ISD)), down -35%, in IPH ltd ((IPH)), down -34%, and in Platinum Asset Management ((PTM)), down -33%, while things have only turned out slightly less painful for holders of shares in G8 Education ((GEM)), Perpetual ((PPT)), Syrah Resources ((SYR)), Vocus Group ((VOC)), Genworth Mortgage Insurance Australia ((GMA)), TPG Telecom ((TPM)), and numerous others.

But the ASX200 Accumulation index, which includes dividends paid, is year-to-date sitting on a total loss of -2%, also thanks to a near 2% positive performance for the first three weeks in April. I think we can all admit it definitely feels a lot worse than those numbers seem to indicate. This is probably due to the fact major banks and large cap stocks including AMP ((AMP)) and Telstra ((TLS)) have been such lousy performers. Also, the ASX200 has to date hardly spent any time in positive territory for the running calendar year.

The FNArena/Vested Equities All-Weather Model Portfolio, which excludes banks, miners and energy stocks, but includes CSL ((CSL)), REA Group ((REA)), Altium ((ALU)) and Xero ((XRO)), among others, is up more than 1% year-to-date, of which some 0.54% was achieved in April. The portfolio performance remains above 10% compared with twelve months ago.

Make sure you read "Slowing Growth, Rising Yields, High PEs" in Part Two of this Weekly Insights.

Below: this year's equities de-rating (with thanks to Credit Suisse).

Rudi Talks

Last week's audio interview about joining this year's upward momentum in oil&gas stocks:

http://boardroom.media/broadcast/?eid=5ad5708d03600639530e914f

The prior week's audio interview about seasonality in the share market, and whether this year might be different:

http://boardroom.media/broadcast/?eid=5acd7619f0a61473eeeeedef

Rudi On TV

This week my appearances on the Sky Business channel are scheduled as follows:

-Tuesday, 11.15am Skype-link to discuss broker calls -Thursday, noon-2pm -Friday, 11am, Skype-link to discuss broker calls

Rudi On Tour

-Presentations to ASA members and guests Gold Coast and Brisbane (2x), on 12 & 13 June -ATAA members presentation Newcastle, 14 July -AIA National Conference, Gold Coast QLD, June 29-August 1 -Presentation to ASA members and guests Wollongong, on September 11 -Presentation to AIA members and guests Chatswood, on October 10

(This story was written on Monday 23rd April and the first part was published on the day in the form of an email to paying subscribers at FNArena, and again on Thursday as a story on the website. Part two will be published on the website on Friday).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FNArena's - see disclaimer on the website.

In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: info@fnarena.com or via the direct messaging system on the website).

****

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions.)

P.S. I - All paying members at FNArena are being reminded they can set an email alert for my Rudi's View stories. Go to My Alerts (top bar of the website) and tick the box in front of 'Rudi's View'. You will receive an email alert every time a new Rudi's View story has been published on the website.

P.S. **II - I**f you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

Rudi's View: Credit Corp, Nearmap, And The Banks

In this week's Weekly Insights (this is Part Two):

-Outlook 2018: A Complex Equities De-Rating -Slowing Growth, Rising Yields, High PEs -Conviction Calls -Australian Banks: Cheap, But Value? -Rudi Talks -Rudi On TV -Rudi On Tour

[Note the non-highlighted items appeared in part one on the website on Wednesday]

By Rudi Filapek-Vandyck, Editor

In Part One, this week published on the website on Thursday due to public holiday on Wednesday, I pointed out the global economy is losing momentum and investors are increasingly paying attention.

Also add rising bond yields, ongoing positive momentum for corporate earnings and numerous macro uncertainties and what looks like a year of de-rating for global equities has, only four months into the process, turned into an increasingly complex development.

The first segment below, "Slowing Growth, Rising Yields, High PEs" should be read in conjunction with "Outlook 2018: A Complex Equities De-Rating" which is the core segment of the first part of Weekly Insights for the week starting on Monday, 23rd April 2018..

Slowing Growth, Rising Yields, High PEs

Slowing growth will separate the true achievers from the pretenders, but more attention goes out to rising bond yields - they weigh upon share price valuations, in particular for stocks trading on high Price-Earnings (PE) multiples, or so goes the general narrative. Not so, of course, because not every stock on a high PE multiple is equal.

Cue the latest research into this matter presented by the equity strategy team at Credit Suisse. In line with my own research, Credit Suisse strategists have made a distinction between the right kind of high PE/long duration stocks versus the wrong kind. As one can gather from the chart below, the difference between the two groups has led to very different experiences over the past two years.

As Credit Suisse explains, those High PE stocks that still outperformed in the local share market even with bond yields rising were not particularly leveraged, and they continued to enjoy EPS increases with both rising margins and revenues contributing. These companies, including a2 Milk ((A2M)), Aristocrat Leisure ((ALL)), Cochlear ((COH)) and Orora ((ORA)), also invested twice as much as their peers in the "wrong kind" group, while return on equity (ROE) was also higher.

In contrast, the wrong kind of high PE/long duration stock would have come with higher financial leverage, higher dividend payout ratios, weaker revenue growth and margin contraction. Think Bega Cheese ((BGA)), Domino's Pizza ((DMP)), Healthscope ((HSO)), Qube Holdings ((QUB)), Trade Me ((TME)), TPG Telecom ((TPM)), and numerous others.

So which High PE stocks are still looking good in the face of higher bond yields?

Credit Suisse research suggests Altium ((ALU)), ARB Corp ((ARB)), Cochlear, Fisher & Paykel Healthcare ((FPH)), REA Group ((REA)), ResMed ((RMD)), a2 Milk, Webjet ((WEB)), and WiseTech Global ((WTC)).

Names to avoid, however, include APA Group ((APA)), Ardent Leisure ((AAD)), AusNet Services ((AST)), Chorus (NZ listed), Crown Resorts ((CWN)), Domino's Pizza, Graincorp ((GNC)), Qube Holdings, Sonic Healthcare ((SHL)), and Tabcorp ((TAH)).

Readers who have been following my research into All-Weather Performers (available for paying subscribers on the FNArena website) will have noticed the overlap between my research and stock selections, and the updated lists from Credit Suisse.

Certainly, the experience from the past post-GFC years has shown portfolio return is not just about how much sits in cash at the right time, but more so which stocks are well-represented in the portfolio, most of the time.

Conviction Calls

The Australian equities research team at Canaccord Genuity has updated its short list of conviction Calls, labeled Australia Focus List. The team has carved out its own niche in the local market by concentrating on the smaller end of the share market, hence why some names on the list might trigger a blank response from investors taking notice.

Have been added since the second last update: Codan ((CDA)), Clean Teq ((CLQ)), Comet Ridge ((COI)), Cooper Energy ((COE)), Credit Corp ((CCP)), and Echo Resources ((EAR)).

Codan is a mining services provider, including gold miners in Africa; while Clean Teq is developing its Sunrise mine project, offering exposure to cobalt; Comet Ridge is Queensland CSG under development; while Cooper Energy operates in the particular basin mostly located in Queensland; whereas Credit Corp is still chasing up overdue consumer debt; and Echo Resources could potentially become the newest ASX-addition of gold producers, with prospective tenements located in WA's Eastern Goldfields.

The other remaining eight stocks on the selective list are: Experience Co ((EXP)), formerly known as Skydive The Beach Group; Galaxy Resources ((GXY)), producer of lithium; Metals X ((MLX)), for tin and gold; aerial imagery provider Nearmap ((NEA)); Orocobre ((ORE)) for more lithium exposure; Perseus Mining ((PRU)), troubled gold producer with potentially improving dynamics; online marketplace Redbubble ((RBL)); and provider of global satellite communication, Speedcast International ((SDA)).

****

Equity strategists at Credit Suisse have added ResMed to their Long Portfolio while going "short" (negative outlook) Sonic Healthcare. They both replaced Domain Holdings ((DHG)) and Charter Hall ((CHC)) respectively.

Australian Banks: Cheap, But Value?

One Citi analyst comment stood out post Bank of Queensland ((BOQ)) interim market update recently: the share price is down -17%, but the results showed this was fully justified.

As a matter of fact, the shares have lost circa -22% since failing to cross the $13 level in late October last year. On consensus forecasts, the stock now yields 7.3% fully franked, but when bad news hit, the share price needs to go down, and so it has. Bank of Queensland's interim report revealed downward pressure on loan volumes, thus on group sales, with headwinds building for the net interest margin (NIM).

Luckily, for shareholders, management still has a tight grip on operational costs while loan defaults remain low. There was no special dividend but analysts believe excess cash remains, and thus more specials lay on the horizon. But pressures are building and the regional lender should be thinking about re-pricing mortgages.

What are the chances of the latter happening with national scrutiny intensifying on the back of damaging revelations from the ongoing Royal Commission?

Plus, aren't banks digging their own downfall by continuously repricing mortgages to keep earnings from going backwards while household budgets already are under pressure? Surely, that tipping point when defaults jump higher is drawing nearer with every added burden for mortgage holders?

Investors wondering as to why banking shares in Australia have done nothing but weaken since the start of the new calendar year need not look any further than the recent results release by Bank of Queensland: yes, bank shares look cheap compared to the rest of the market, and even compared to their own history, but expectations are for disappointing, if not negative announcements when H1 financial reports are released in the weeks ahead, and risk appetite in general isn't exactly booming.

Analysts at Morgan Stanley, who have held a negative view on the sector for a while, last week summarised the sector's outlook as followes: [a] fundamental change in the mortgage market, modest growth prospects, downward pressure on returns, and increased political and regulatory scrutiny.

"Accordingly, we expect structural and cyclical headwinds to ROE and growth to drive a further de-rating."

All shall be revealed in the coming weeks. ANZ Bank ((ANZ)) shall kick off the sector heavyweights' reporting on Tuesday, May 1st.

Rudi Talks

Last week's audio interview about joining this year's upward momentum in oil&gas stocks:

http://boardroom.media/broadcast/?eid=5ad5708d03600639530e914f

The prior week's audio interview about seasonality in the share market, and whether this year might be different:

http://boardroom.media/broadcast/?eid=5acd7619f0a61473eeeeedef

Rudi On TV

This week my appearances on the Sky Business channel are scheduled as follows:

-Tuesday, 11.15am Skype-link to discuss broker calls -Thursday, noon-2pm -Friday, 11am, Skype-link to discuss broker calls

Rudi On Tour

-Presentations to ASA members and guests Gold Coast and Brisbane (2x), on 12 & 13 June -ATAA members presentation Newcastle, 14 July -AIA National Conference, Gold Coast QLD, June 29-August 1 -Presentation to ASA members and guests Wollongong, on September 11 -Presentation to AIA members and guests Chatswood, on October 10

(This story was written on Monday 23rd April and the first part was published on the day in the form of an email to paying subscribers at FNArena, and again on Thursday as a story on the website. Part two will be published on the website on Friday).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FNArena's - see disclaimer on the website.

In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: info@fnarena.com or via the direct messaging system on the website).

****

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions.)

P.S. I - All paying members at FNArena are being reminded they can set an email alert for my Rudi's View stories. Go to My Alerts (top bar of the website) and tick the box in front of 'Rudi's View'. You will receive an email alert every time a new Rudi's View story has been published on the website.

P.S. II - If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

These Terms and Conditions of Use, and Disclaimers constitutes your agreement with News Network with respect to your use of its FN Arena website, its weekday news periodical, Australian Broker Call, as well as it's monthly periodical Australian Super Stock Report, as well as any other publications (including articles) News Network may publish on its website, or anywhere else, from time to time. Please read the contents of this page carefully as it contains important legal information and disclaimers. By entering and perusing the website, reading the Australian Broker Call or the Australian Super Stock Report, or, if you are subscriber, by entering the password protected part of the website, you acknowledge that you have read, understood and accept this agreement.

By accepting this agreement you acknowledge, understand and accept the following:

1. Reference to "FN Arena" and "News Network" means reference to News Network Ltd, its journalists, directors, other employees, affiliates, agents, associates and subsidiaries.

2. News Network Ltd is the owner of the FN Arena website and brand name.

3. Reference to "we" or "us" is reference to News Network.

4. Reference to "this website" or the "FN Arena website" means reference to www.fnarena.com, and includes reference to News Network's weekday news periodical, Australian Broker Call, as well as its monthly periodical Australian Super Stock Report, as well as any other publications (including articles) News Network may publish on this website, or anywhere else, from time to time.

5. Reference to "news periodicals" means reference to News Network's weekday periodical, Australian Broker Call, as well as it's monthly periodical Australian Super Stock Report, as well as any other periodicals News Network may publish from time to time on this website, or anywhere else, from time to time.

6. Reference to "publications" in this agreement means any material, including articles, published or put in print on the FNArena website, or anywhere else, whatsoever, and includes News Network's weekday periodical, Australian Broker Call, as well as it's monthly periodical Australian Super Stock Report, and any other periodicals News Network may publish from time to time.

7. Reference to a "visitor" means, you, a visitor to this website, and includes a subscriber to Australian Broker Call and the Australian Super Stock Report, as well as any other publications or periodicals News Network may, from time to time, publish on this website.

8. News Network is a media company which employs financial journalists to report financial news. News Network's journalists perform the required research and collect the information that is, ultimately, each day, published on this website and in News Network's news periodicals. As is obvious, the process by which the information is collected and delivered to you is a purely journalistic one and, therefore, the comments, opinions and recommendations News Network reports on this website are not the opinions of News Network or any of its journalist or other employees. News Network is ONLY and specifically a matter-of-fact reporter of industry signals suggesting price direction probability of some shares. News Network simply delivers the information – it does not create it.

9. Although News Network obtains the information published herein from sources deemed to be reliable, and given and received in good faith, it cannot and does not guarantee its accuracy. News Network does not take any responsibility either for the financial soundness or for the correctness of statement made or opinion expressed in the data or content reported by News Network, and cannot and does not guarantee the reliability and accuracy of the opinions of the brokers whose opinions, recommendations and forecasts it reports.

10. News Network publishes this website, all publications and its periodicals strictly for convenient personal, non-commercial, educational and informational purposes of its subscribers only. Our goal is to provide the subscribers with a convenient starting point of potentially useful, but not comprehensive, content that can educate or otherwise enhance a visitor's knowledge base and frame of reference.

11. News Network is NOT a stock broker or financial or trading advisor, nor is it an advisory service of any kind, and no advice or recommendations on investments or trading are made nor implied on this website. Nothing contained in this website is intended to be, nor shall it be construed as, advice or recommendation. Any investment or other decisions made by you must be based solely on your own evaluation of the targeted subject for investment, and your financial circumstances and investment objectives, and News Network will not be held liable for any such investments and decisions.

12. It is distinctly understood and accepted that the shares referred to in the FN Arena website, News Network's publications and/or periodicals have not been recommended by News Network. The content and or any comments found of this website, including the content and/or comments published in any publication and/or periodicals published by News Network, do not constitute a recommendation or endorsement by News Network with respect to any company, security, share or investment or any financial or investment product.

13. This website makes no representations, and, to the extent allowed by the law, specifically disclaims all warranties, express, implied or statutory, regarding the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any material contained in the website.

14. Before making an investment decision, you must do your own research and rely on your own examination of the share, and the risk involved, and not on what you read on the FN Arena website, or in any publication or periodical. The content of this website is provided strictly for convenient personal, non-commercial educational and informational purposes only and News Network shall not be held liable for any investment decisions, sales or purchase decisions, which you may have made based on what you have read on this website or in the periodicals published by News Network from time to time, or in any other publications News Network may publish on its website, or anywhere else, from time to time. Anyone who makes investment decisions based on what they read on this website does so at their own risk, and agrees that they cannot hold News Network responsible and/or liable for any loss whatsoever.

15. It is your responsibility to evaluate the completeness, accuracy and usefulness of any content made available on this website. If you are unsure, or in doubt about the meaning of any information, you should consult your financial advisor.

16. News Network does not guarantee any returns on investments made in any share mentioned on this website by the visitors. As any investor well knows, any investment opportunity, strategy or concept involves a degree of risk and investors should not invest any funds unless they can afford to take the risk of losing their investment. News Network strongly suggests that you consult your own financial advisors regarding the soundness of any intended investments, strategies or concepts, and discuss with such advisor your individual investment needs and goals. You may also wish to consult the broker who expressed the opinion we have reported on in the news periodicals we publish.

17. News Network shall not be held liable to any visitor of the FN Arena website, or any reader of its periodicals and/or publications, or anyone else who may have relied on this website, directly or indirectly, for any inaccuracies in the printed material found on the FN Arena website, in the periodicals and/or other publications, any typing errors, omissions, interruptions, timeliness, completeness, deletions, defects, failure of performance, computer virus, communication line failures, alterations of, or use of any content herein, regardless of cause, for any loss or damage resulting therefrom.

18. Under no circumstances, including, but not limited to negligence, shall News Network be liable for any direct, indirect, incidental, special or consequential damages that result from the use of, or the inability to use, the FN Arena website, and any or the News Network's publications and/or periodicals.

19. As a condition of use of the FN Arena Website, News Network's publications and periodicals, you agree to indemnify News Network and all those affiliated with it from and against any and all liabilities, expenses (including legal costs) and damages arising out of claims resulting from your use of the FN Arena website, News Network's publications and periodicals. If you are uncertain about this agreement or the contents of the FN Arena's website, or are dissatisfied in any shape or from, with the content of the FN Arena website, or any of the publications or periodicals, or you do not agree with these terms and conditions, your sole and exclusive remedy is to discontinue using the FN Arena website, News Network's publications and periodicals.

20. News Network may, from time to time, publish advice, opinions and statements of various third parties, other then the ten stock brokers, and various other information and content providers. News Network does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by these third parties. Reliance upon any such opinion, advice, statement, or other information is at your own risk.

21. The FN Arena website may contain links and pointers to websites maintained by third parties. News Network does not operate or control in any respect any information, products or services on such third-party websites. Third party links are included solely for the convenience of visitors, and do not constitute any endorsement by News Network of any products or services provided by the third party link owners or operators. News Network has no control over any websites that we might link to and does not take responsibility for their quality, content or suitability.

22. News Network is not responsible for claims made by advertisers on the FN Arena website or in any of its periodicals. Such advertisements are included solely for the convenience of visitors, and do not constitute any endorsement by News Network of any products or services advertised. News Network does not check the accuracy of the statements made by the advertisers. You assume sole responsibility for the access and use of third party links and pointers from the FN Arena website, as well as any purchases you may make from those third parties (including advertisers).

23. All the content, information and material made available on this website are provided to you "as is" and without warranty of any kind from News Network whether express or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose, title, non-infringement, security or accuracy, nor does News Network endorse or take any responsibility for the accuracy or reliability of any opinion, advise or statement made through the FN Arena website, its periodicals, or for making good all or part of any loss and/or damage that may have been caused by the visitor's reliance on any information, advise, product or service obtained from a linked website.

24. News Network is not liable for any copyright infringements incurred by any outside content or information contributors, or by third parties who have links to this website, or advertise on this website.

25. News Network reserves the right to make any and all changes to the FN Arena website, including the publications and periodicals, at its sole discretion without notice to you. News Network reserves the right to deny access to this website or its information to anyone at any time.

26. This agreement shall be deemed to include all other notices, policies, disclaimers, and other terms contained in the FN Arena website, provided, however, that in the event of a conflict between such other terms and the terms of this agreement, the terms of this agreement shall prevail.

27. News Network shall have the right, at its discretion, to change, modify, add or remove terms of this agreement at any time. Changes shall be effective immediately. Notification of any such changes shall be made herein, therefore, you are strongly advised to read these terms each time you wish to access the FN Arena website or any periodical.

28. No permission is granted to copy, distribute, modify, post or frame any text, graphics, video, audio, software code, or viewer interface design or logos. The entire FN Arena website, including the publications and periodicals, is subject to copyright with all rights reserved. The information contained in the website, including the publications and periodicals, shall not be published, rewritten for broadcast or publication or redistributed in any medium, or for any other reason whatsoever, without prior written permission from News Network.

29. All original content is the copyrighted property of News Network.