Week
42

Stories To Read From FNArena
Friday, 18 October 2019

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

© News Network 2019. All Rights Reserved. No portion of this website may be reproduced, copied or in any way re-used without written permission from News Network. All subscribers should read our terms and conditions.

Contents

Australia
1 Confidence In Brambles Edges Higher
2 Enthusiasm Wanes For Pendal Group
3 Santos Takes The Helm At Darwin LNG
4 Is Afterpay Touch Stretching Its US Potential?
5 Hard For Bank Of Qld To Instill Confidence

Commodities
6 Material Matters: Pressure On Base Metals, Nickel Defies Slump
7 Material Matters: Base Metals, Met Coal & Oil

ESG Focus
8 ESG Focus: Prepare For The Plastic Revolution

FYI
9 Weekly Ratings, Targets, Forecast Changes - 11-10-19
10 Uranium Week: Deadline Extended
11 The Short Report - 17 Oct 2019
12 The Wrap: Clothes, Waste, Utilities & Ports

Small Caps
13 US Avenue For City Chic To Expand
14 Sealink Travel Boards The Transit Systems Bus

Weekly Analysis
15 Does (Lack Of) Substance Mean (Lack Of) Momentum?
16 Rudi's View: Uncorrelated Yield & More Conviction Calls

Confidence In Brambles Edges Higher

Brokers are modestly confident Brambles can negotiate a tough macro outlook and provide reasonable revenue growth in FY20.

-Currency appears to be more of a headwind than previously anticipated -Margin expansion expected in the second half for CHEP Americas -Top-line strength continues despite soft global outlook

By Eva Brocklehurst

Price increases and new contracts helped Brambles ((BXB)) maintain strong revenue growth of 5% in the September quarter. The first quarter performance was mixed geographically versus broker estimates.

CHEP Americas, with 7% revenue growth, stood out, while Asia-Pacific was weaker than some expected, but managed 2% growth. Europe disappointed some brokers with a flat outcome in terms of volumes.

However, given economic headwinds and difficult comparables, UBS was pleased with Europe's 4% revenue growth versus the 8% reported in the prior corresponding period. India and the Middle East were the stand-out geographies for Citi, amid price increases in developing markets such as Turkey and new customer gains in India and the Middle East.

Management has maintained FY20 guidance for constant currency sales growth at the lower end of its mid single-digit target, with underlying earnings (EBIT) growth in line or slightly above sales growth.

UBS is incrementally more confident guidance will be achieved following the update while Morgan Stanley suggests currency appears to be more of a headwind than previously anticipated. Yet, given constant currency revenue growth is tracking ahead of expectations this de-risks the top-line component of guidance, in the broker's estimates, potentially providing some relief from macro uncertainty.

Citi forecasts constant currency revenue growth of 3.9% in FY20 and underlying earnings growth of 5.4% and suspects inflation headwinds are fading in the US, which should support underlying CHEP Americas margins. Additionally, price increases are sticking, the broker observes.

Flat margins are expected in CHEP Americas in the first half before expansion in the second half, driven by automation and the cycling of higher cost inflation as well as the benefits from procurement initiatives in US pallets. The company has reiterated guidance for US margin improvement, although Morgan Stanley notes this is likely to be weighted to the second half.

Brokers note the stock has underperformed the market by -15% since the August report , largely, in Citi's view, because of negative sentiment around the FY20 outlook. Nevertheless, top-line strength continues, despite the soft global outlook, and UBS estimates there is potential for a re-rating over the next 2-3 years if consensus forecasts are met and the shares trade back to the historical premium to the market of 10%.

That said, UBS remains concerned about network inefficiencies in the Americas and the potential for a negative surprise when the results are reported. Morgans is optimistic about the start to FY20, although acknowledges the global outlook is uncertain and cost pressures continue.

Credit Suisse upgrades to Neutral from Underperform on valuation grounds, forecasting constant currency revenue growth of 4.9% in FY20. The broker concludes fair value in the stock sits at $11.20, based on a five-year average valuation multiple.

FNArena's database has five Hold ratings and one Buy (Citi). The consensus target is $11.92, suggesting 2.7% upside to the last share price. Targets range from $11.20 (Credit Suisse) to $13.30 (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.

FNArena is proud about its track record and past achievements: Ten Years On

Enthusiasm Wanes For Pendal Group

A deteriorating investment performance across several Pendal Group funds, particularly in the UK, has dampened enthusiasm for the stock.

-Brexit outcome could be a turning point for EU/UK flows -Limited scope for performance fees in the near term -Continued risk of sustained outflows

By Eva Brocklehurst

Asset manager Pendal Group ((PDL)) has sustained elevated outflows from Europe, attributed to ongoing risk aversion from investors in the region. Fourth quarter funds under management (FUM) were down -1%.

A deteriorating investment performance across a range of the company's funds in the UK has dampened enthusiasm. Historically, JO Hambro has been the main driver of fund flows and the outflows from its UK business have affected the underlying performance of Pendal Group. The main outflows were experienced by JO Hambro in the fourth quarter, at -$1.4bn.

Pendal Group's Australian outflows were concentrated in the Westpac book, which comprises around 39% of FUM, and surprised Morgan Stanley to the downside, with outflows of -$700m. The broker assesses the new outflows relate to Westpac/BTFG exiting financial advice and there is a risk of more to come.

The -$2.3bn of net outflows in the quarter were a minor improvement on the June quarter, although missed the broker's forecast for flat flows. Morgan Stanley asserts the issues with Brexit are factored into the price, while the medium-term growth options remain attractive.

EU/UK

Morgans suggests a Brexit outcome could be a turning point for macro-driven flows in the EU and UK as well as sentiment towards the stock, although evidence of a better investment performance at JO Hambro is more important.

JO Hambro ended the period with funds under management of $52bn, down -1.5%. Morgans observes three of its six largest funds are materially underperforming on a short-term basis, which will limit performance fees in FY20 and increase the risk of outflows, particularly if there is further pressure in the UK/EU sector.

Credit Suisse expects outflows from the UK business will continue and put pressure on the operating margins. While expenses have been contained and have offset some of the revenue weakness, this becomes harder to repeat.

Ord Minnett agrees political uncertainty in the UK and the potential acceleration in redemptions in the Westpac-related legacy funds are likely to mean the catalysts and near-term outlook remain negative.

Performance Fees

Performance fees are expected to recover over time and, given diversity in geography and asset class, Ord Minnett assesses the current share price presents an attractive risk/reward balance relative to other ASX-listed asset managers.

Credit Suisse notes that, of the JO Hambro funds eligible to earn performance fees, the vast majority are currently below their high watermark for the period ending December 31, 2019. Unless performance improves by the end of the year there is likely be minimal performance fees in the first half.

Citi remains attracted to Pendal Group's diversified operating model but the combination of outflows from JO Hambro funds and low prospects for a sharp rebound in performance fees are likely to weigh. The broker was encouraged the positive flows into US pooled funds have continued and are becoming broad-based and continues to factor in a slow recovery in performance fees.

UBS envisages near-term risk to flows and limited scope for performance fees through to FY22. There is strong valuation support for the stock but Morgans includes some risk of sustained outflows, and prefers the growth path to be less reliant on market direction.

There are three Buy ratings and four Hold on FNArena's database with a consensus target of $8.01, signalling 14.4% upside to the last share price. Targets range from $6.90 (UBS) to $9.60 (Morgan Stanley). The dividend yield on FY19

and FY20 forecasts is 6.4% and 6.8% respectively.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Santos Takes The Helm At Darwin LNG

Santos has obtained a majority share and will become the operator of key LNG assets in northern Australia.

-Acquisition provides a path to a final investment decision on Barossa -Will consume a lot of cash for expansion, particularly from 2021 -Brokers remain cautious about the long-term outlook

By Eva Brocklehurst

Santos ((STO)) is now in the driver's seat at Darwin LNG, emerging as the buyer for ConocoPhillip's northern Australian interests, comprising the Darwin LNG, Bayu-Undan, Barossa and Poseidon projects.

The transaction will give Santos a majority share and it will become operator of these key upstream and infrastructure assets. Santos will pay US$1.44bn, comprising US$1.39bn up front and a contingent US$75m subject to a final investment decision on the Barossa-Caldita project.

The purchase will be funded from existing cash resources and a new debt facility of US$750m. This will mean pro forma gearing rises to 35% at completion of the transaction, declining to 30% by the end of 2020.

Santos expects the transaction to be 16% accretive to earnings per share and 19% accretive to operating earnings (EBITDAX) in 2020 at a US$65/bbl oil price. However, UBS points out this accretion calculation does not include an equity sell-down of Darwin LNG to SK E&S and, hence, overestimates the outcome.

Santos expects the transaction to reduce the company's break-even cash flow by -$4/bbl in the next 2-3 years but UBS also notes a higher equity interest in Darwin LNG will result in higher abandonment liabilities as Bayu-Undan approaches the end of life in 2022.

With the benefit of the expected synergies, Citi calculates the acquisition is accretive by 4% to valuation at a US$55/bbl oil price, increasing to 8% at US$65/bbl.

More Control

Macquarie considers the acquisition a significant positive step for the company as it provides more direction for the development of Barossa. Moreover, Santos appears not to be paying a premium for operating control of the portfolio.

On deal completion, Santos will subsequently have a 68.4% interest in Darwin LNG and Bayu-Undan and 62.5% interest in Barossa. A sell-down of 25% of Bayu-Undan and Darwin LNG to SK E&S is envisaged, as per an agreement, to align interests across the NT assets.

The acquisition should provide a path for a final investment decision on Barossa, and the operating status will allow Santos to pursue further growth through brownfield expansion and commercialise its gas resource in the region. Hence, UBS is increasingly confident management can deliver on its growth production target of over 100mmboe by 2025.

Citi highlights a quirk of the Darwin LNG agreement, in that the operator has the right to dictate which gas enters the plant. Santos now has an ability to monetise its gas resources over competing fields. However, whether the joint operating agreement would extend to expansions is unclear.

Morgan Stanley accepts this is an asset Santos understands and there will be synergies, but it will consume a lot of cash for expansion, particular from 2021. The broker calculates Santos will generate very little free cash from 2020 to 2022 at US$60/bbl. This means gearing will stay in a relatively tight range.

Ord Minnett downgrades to Hold from Buy based on valuation and Morgan Stanley also downgrades, to Equal-weight from Overweight. The latter believes the free cash story is diminishing and investors will be required to invest for a medium-term production uplift.

Risks

Meanwhile, risks are building across the LNG industry and Santos now appears fully valued so Morgan Stanley suggests now may be a good time for investors to take profits, given the changing cash profile.

Santos stock is up 43% in the year to date versus Woodside Petroleum ((WPL)) and Oil Search ((OSH)). The broker expects Santos will farm down the Dorado asset and, if it can sell above market - the asset is currently valued at around US$1.7bn for an 80% share - the market may take this kindly.

Morgan Stanley currently assumes no value for Narrabri CSG, so some value is available should the company make progress on that front. On the other hand, the balance sheet has limited ability for further leverage, unless the commodity price moves higher or other assets are sold.

Morgan Stanley is becoming increasingly cautious about the long-term outlook for oil amid a deteriorating global macro outlook. Macquarie also notes, while revenue is well spread across the portfolio, an increase in production derived from LNG is occurring.

There are five Hold ratings and two Buy for Santos on FNArena's database. The consensus target is $7.96, signalling 2.9% upside to the last share price. Targets range from $7.24 (Credit Suisse) to $8.80 (Macquarie).

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.

FNArena is proud about its track record and past achievements: Ten Years On

Is Afterpay Touch Stretching Its US Potential?

Is the market pricing in excessive growth for Afterpay Touch or does there remain a significant opportunity for US expansion? Two brokers initiate coverage and differ in their outlook.

-Opportunity to build a niche amongst credit-starved millennials in the US -But Afterpay Touch lacks a protective barrier outside Australasia -Will Afterpay Touch eventually be considered a credit provider?

By Eva Brocklehurst

Two brokers recently initiated on payments provider Afterpay Touch ((APT)) with widely differing viewpoints. Is the market pricing in excessive growth without factoring in the risks? Or is there a significant opportunity for the company to expand in the US?

Afterpay Touch has achieved mass adoption in Australia and has acquired 2m users in the US in its first year of operations. The stock price has increased to 35x times its April 2016 IPO price and the company has delivered on substantial growth promises so far.

Morgan Stanley envisages an opportunity to build a niche amongst millennials (Gen Y & Z, aged up to 40) in the US who have had their supply of credit from traditional lenders curtailed since 2009. These generations are in, or will enter, their key debt accumulation phase over the next decade and are likely to drive the bulk of US loan growth, which Morgan Stanley estimates at around US$850bn over the next 10 or more years.

Capturing this cohort today means Afterpay Touch can participate in this credit creation. These generations are also comfortable banking with financial technology. Morgan Stanley initiates coverage on the stock with an Overweight rating, believing gross merchandise value is the key driver of the business, targeting $27-37bn in FY22-23 versus the company's $20bn-plus target.

The broker's price target is $44.00. In contrast, UBS has initiated with a Sell rating and $17.25 target, assessing that, paradoxically, if runaway success continues, the company will likely attract the attention of competitors and new entrants, as it lacks a strong protective moat outside of Australasia.

The product is easy to replicate and barriers to entry are low, although the company does have a first-mover advantage and a strong brand. Regulatory scrutiny may also be heightened and execution risks are significant.

UBS believes the share price currently implies none of these risks play out, and considers this is unlikely. Key is the company's model, which relies on prohibiting merchants from passing on the surcharges to customers.

Regulatory Risk

In the case of credit or debit cards in Australia, merchants cannot legally be prevented from passing on costs. Yet the company's model relies on consumers not bearing any additional cost, transferring, instead, these costs to merchants. For a $150 transaction, Afterpay Touch's merchant fees represent a 19-49% return and if customers were to be presented with the true cost of Buy Now Pay Later (BNPL) UBS envisages risks to growth.

There is also a risk that the company is eventually considered a credit provider. Afterpay Touch is currently outside the definition of being a credit provider and is therefore not regulated by Australia's credit code.

However, UBS points to surveys which reveal that 64% of customers think BNPL is credit while 30% have used a credit card to pay down their balance. Those that use BNPL are more likely to be indebted, in the broker's assessment, and more likely to have had applications for credit cards rejected.

Morgan Stanley acknowledges Afterpay Touch could be drafted into the credit act and the obligations to conduct inquiries and verify customer income and expenses could then become a significant burden on the business.

US Market

Therefore, UBS poses the question of whether Afterpay Touch can succeed over the long term in the US, which has a market more than 10x times the size of Australasia. The US is home territory for VISA, MasterCard and PayPal and there are substantial budgets to defend against disruptors.

The broker considers it unlikely the company will achieve the same penetration it enjoys in Australasia, amid greater competition and more challenging economics, such as higher interchange fees. Higher credit card rewards

incentivise credit card users in the US as well.

The broker estimates the share price infers a long-term US customer base of around 12% of the population and that appears optimistic. Consensus estimates may also not be factoring in margin dilution from US growth.

Yet Morgan Stanley emphasises the upcoming youth boom in the US. The US Gen Y and Z population is already 10x times Australia's and will become the largest borrower cohort within the next decade.? Beyond capturing the millennials base, achieving mass user adoption will be tough in the US, the broker agrees.

Afterpay Touch is entering a highly leveraged market late in the cycle and there is little room for error. A study of transaction margins for PayPal in the US, where interchange and charge-off rates are higher, highlights the risk, but the broker deduces investors will probably tolerate lower profitability for the near term.

Morgan Stanley emphasises the demographic tailwinds and considers the risks low for the near term. These include a spike in bad debts, which is the biggest risk and a catalyst for potentially changing its Overweight rating. In that case the bear case valuation would drop to $5/share. However, the broker is comforted by the fact employment trends remain robust and falling interest rates are alleviating pressure on budgets.

The company's payments business comprises two services, BNPL, which offers an interest and fee-free repayment schedule over four equal fortnightly instalments and the "Touch" component, which is software that enables products to be purchased via a number of methods both online and in-store.

FNArena's database has three Buy ratings, one Hold (Citi) and one Sell (UBS). The consensus target is $32.36, signalling -4.6% downside to the last share price.

See also, Material Catalysts Ahead For Afterpay Touch on September 30, 2019.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Hard For Bank Of Qld To Instill Confidence

Bank of Queensland has myriad issues to deal with and brokers expect revenue growth will be difficult over the next couple of years with the stock likely to underperform.

-Few positives in the FY19 results and the final dividend is reduced -Asset quality deteriorates, impairment charges increase -Loan growth not considered strong enough to offset margin headwinds

By Eva Brocklehurst

Bank of Queensland ((BOQ)) and its new CEO have a large task ahead to elucidate a strategy for the future that will reinvigorate confidence, amid mounting regulatory costs and pressure on interest margins. Revenue growth is expected to be difficult and the stock considered likely to underperform.

Brokers expect CEO George Frazis, who will present a market update in February, will need to focus on areas where the bank can derive an advantage, such as in Virgin Money Australia. Yet, Morgans points out, upward pressure on the cost base is very likely over the next two years given the extent of the investment required to resolve the problems.

Bank of Queensland has already flagged a potential expansion of BOQ Finance and a simplification of processes, as well as an accelerated investment in the digital roll-out of Virgin Money Australia. However, UBS warns, despite revenue growth, few in the digital banking segment have delivered strong earnings to date.

Bell Potter welcomes the "sensible" lowering of FY20 cash net profit expectations given the inevitable cost blow-out and management distractions this year. In its FY19 results Bank of Queensland announced cash earnings of $320m and reduced the final dividend to $0.31 versus $0.34 at the interim. Revenue was boosted by trading income while net interest margins eased further, to 1.92%. Credit growth was 1.6%.

There were few positives for brokers to laud. Some steps have been taken towards dealing with risk settings and capital strength, but brokers agree there is a long way to go. Morgans assesses the bank, at present, is not creating shareholder value. If the decline in the return on tangible equity is not averted then the broker may consider the stock is diminishing shareholder value.

.

More Deterioration

Citi suspects earnings, the capital position and, possibly, the dividend are all set to deteriorate again in FY20 and downgrades to Sell from Neutral. The broker suggests there is little confidence in the sustainable profile of the business at this point, given the uncertainty about a resumption of growth to levels in line with peers as well as the level of returns that can be generated.

Macquarie notes the CET1 position deteriorated further in the second half, to 9.04% from 9.26%. Despite a discounted dividend reinvestment plan, the broker continues to envisage the current pay-out ratio is unsustainable.

Asset quality has deteriorated, stemming from several large commercial exposures including agriculture. This was one of the more disappointing aspects of the report, Morgans believes. Impairment charges increased by 80% versus the prior year, with $22m attributable to a rise in collective provisioning as lending growth continued in BOQ Finance. However, Citi suspects falling borrowing costs should provide relief and keep bad debts in check, for now.

Margin headwinds are likely to persist for the next three years, in Morgan Stanley's view, unless the three-year swap rate rises 40-50 basis points from current levels. Bank of Queensland is also competing hard for deposits although it appears slightly less vulnerable than peers, the broker assesses, to a squeeze on low-cost deposits from further official rate cuts.

Loan growth is not considered strong enough to offset the margin headwinds and the broker expects fee income growth will be flat. Guidance implies around 6% growth in costs in FY20 and Morgan Stanley suspects Bank of Queensland will find it difficult to adapt to change versus its peers because of a much smaller cost base.

Furthermore, the broker expects the retail bank will be under pressure as the mortgage book has shown no growth for the past 18 months. While the bank is seeking to address loan approval times, Morgan Stanley suspects the shrinking owner-manager branch numbers and under-investment in digital will take longer to resolve.

Virgin Money Australia

While the bank is diversifying its options by investing $30m in developing the Virgin Money Australia brand into a full digital bank, the launch is expected at the end of FY20 at the earliest.

Moreover, Ord Minnett is becoming more convinced that the acquisitions of BOQ Specialist and Virgin Money Australia have introduced complexity, distracting from the core retail bank, of which the owner-manager branch network decline is symptomatic. Bank of Queensland closed five branches during the second half after closing 11 in the first half and has reduced its branch footprint to 167.

The broker suggests the bank remains too complex for the size of its footprint and is suffering from a lack of past investment in core IT infrastructure and digital capability.

UBS is not anticipating a rapid turnaround, suspecting the stabilisation of the retail mortgage book is likely to be challenging, as it has already shrunk -16% from its peak in the first half of FY16. The broker expects net profit to fall a further -11% in FY20.

FNArena's database has two Hold ratings and five Sell. The consensus target is $8.49, signalling -8.4% downside to the last share price. The dividend yield on FY20 and FY21 forecasts is 6.3% and 5.9% respectively. Bell Potter, not one of the seven stockbrokers monitored daily on the FNArena database, has a Hold rating and $9.10 target.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Material Matters: Pressure On Base Metals, Nickel Defies Slump

A glance through the latest expert views and predictions about commodities. Zinc; Iron ore; nickel; oil; gold.

-US-China trade tensions and growth concerns weigh on iron ore -Short-term firmness still possible, upside to big miners seen -Nickel bucks the trend and rallies as inventories plunge -Zinc's fall may be ending -Falling copper price will be limited by supply cuts

By Nicki Bourlioufas

Zinc market could be turning while Nickel maintains its run

Sentiment in the base metals this month has been bearish with the US-China trade war causing investors to price in a global growth slowdown. This has seen commodities under pressure, though for some this has been limited by falling inventories. The latest truce on Friday between the US and China could also provide a floor under prices.

According to Jarden, copper's outlook is stable as slower demand growth this year (possibly nil in China) has been outmatched by a supply cut from Glencore in Central Africa and Codelco transitioning big open pits to underground. While the worst of industrial deterioration may be still to come, "having China comprising 50% of global copper demand limits the size of any fall." Jarden is forecasting a price of US$6,173/t in 2020, barely changed from an average of US$6,163/t in 2019.

ANZ too is upbeat on copper after a slide of almost -10% in the past year. "It is still on our preference list due to its underlying strong fundamentals. Any surprise on the trade front will be supportive for the sector," says ANZ. However, the CEO of Codelco recently said copper prices will remain depressed through the next year, a result of the continuing uncertainty caused by global trade tensions.

Mixed view on iron ore, upside to miners possible

While iron ore has fallen from its year highs as global trade tensions threaten global economic growth, ANZ expects prices to stay around US$85–US$90/t in 2019 amid robust fundamentals. Supply losses in Brazil will leave the market undersupplied until 2020. "That said, improving exports from key countries and narrowing steel mill margins could be a drag on prices in the short-term," says ANZ.

Macquarie Wealth Management is more upbeat and believes iron ore could hold in its current US$90-US$100/t range in the near term. Outside of Brazilian supply disruptions, key drivers of the iron ore price include positive Chinese steel mill profitability. In addition, the lifting of pollution warnings in several cities in China this month could see steel mills restock, which could boost prices.

This could flow through to the iron ore miners. Macquarie sees upside in Rio Tinto ((RIO)) and BHP Billiton ((BHP)) with the stocks trading on forward 12-month free cash flow yields of 12% and 9%, respectively. Fortescue Metals Group ((FMG)) is its preferred iron-ore pick, with free cash flow yields of 15% for FY20.

Morgan Stanley, however, is less upbeat on iron ore. Analysts there expect the global iron ore market will loosen 95Mtpa by the end of 2020, "removing all remaining tightness in the market." Morgan Stanley predicts iron ore will fall to US$70/t by the fourth quarter of 2020 from its 2019 peak of US$120/t, reducing the incentive for further expansion. "Most of our forecast 95Mtpa market easing through 2020 is due to our assumption that China's steel output will fall, as we expect housing starts to slow."

Nickel stands out, zinc's fall may cease

Nickel has bucked the trend and rallied as inventories plunge. Demand for physical delivery of the metal is also growing amid fears of short supply. The metal posted gains in early October after stockpiles in LME warehouses fell by 2.9% to 147,684 tonnes. Nickel is up close to 70% over the year to 7 October and is threatening to break back above US$18,000/t. According to ANZ, "the uptrend in nickel remains intact; but the metal is susceptible to short-term sell-offs."

Macquarie Wealth Management expects the outlook for zinc to improve, with the commodity struggling for some time, with rising supply against weak demand, "and we think that we are now finally moving into the end stages of the correction." Macquarie forecasts that zinc will soon find a floor around US$2,000-2,100/t and its descent should stop from mid-2020. "Unlike the other big base metals, zinc demand has already had its annus horribilis in 2019,

with the important auto market slumping in China and Europe. More recently the figures have begun to move sideways, however," noted the broker.

Energy markets weaker

Oil prices have slid since mid-September as hopes faded for any real progress in US and China trade talks that could diffuse fears over the global economy, which would weaken oil demand. Despite the recent attack on oil facilities in Saudi Arabia, weakening economic growth and expectations of higher US output have pushed crude oil prices down.

Still, ANZ sees some renewed upside for oil. Geopolitical tension in the Middle East is a key offset to the slowing oil demand growth caused by the deepening China-US trade dispute. "We revised our oil demand growth forecast for this year from 1.2mb/d to 1.0mb/d; but we still expect the balance to tighten in Q4 2019. With a tightening market balance and increased supply risks, we believe prices should factor the risk premium."

China's tightening regulation should help coal prices stabilise too, according to ANZ. Thermal coal prices at around US$66/t are down around -42% over 12 months to 3 October. Weighing on its price is that exports from major countries have increased, while the northern summer's stronger demand is yet to materialise. According to Morgan Stanley, flooding at mines in India raised expectations could bring some support in the near term.

Australia's Department of Industry recently revised lower its forecasts for thermal coal prices as the market experiences weak demand for the fuel, it said Monday in its Resources and Energy Quarterly. In the latest report, the forecaster cut its forecast from the June edition for the average FOB Newcastle 6,000 kcal/ NAR thermal coal spot price for 2020 by -7% to US$68/t. The 2019 price was also dropped by -7%, to US$77/mt, while the forecast for 2021 was lifted by 3% to US$69/mt.

Gold

With slowing economic growth, geopolitical risks and another likely US Fed rate cut, ANZ sees investor demand for gold remaining strong. The sector may be vulnerable to brief pullbacks, as investors lock in profits. Strong ETF inflows have brought gold back above US$1,500/oz "and we expect this trend to continue for the rest of the year." The silver price has outperformed gold since May and is likely to continue to do so for the immediate future.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Material Matters: Base Metals, Met Coal & Oil

A glance through the latest expert views and predictions about commodities. Base metals; nickel; copper; housing China; coking coal; and oil.

-Decelerating global growth signals caution for base metals sector -Can the nickel market sustain such high prices? -Transition in Chinese housing demand to copper from steel -Growth in seaborne coking coal supply to pressure prices -Demand returns as the main driver of the oil price

By Eva Brocklehurst

Base Metals

JPMorgan notes the latest forward curve shows downgrades of -6-14% across base metals, with the exception of nickel which is up 36%. The broker has a neutral view on the sector, preferring large diversified miners, gold and, over the longer term, the winners from the lithium fall-out.

Decelerating global growth provides a cautionary signal. The broker downgrades base metal prices, reducing copper, aluminium and alumina by -6%, -6% and -14% respectively. The exception is nickel, where the bringing forward of the Indonesian ore export ban has pushed the price up sharply.

Despite the run-up in nickel, JPMorgan finds value is limited and has recently downgraded nickel stocks Independence Group ((IGO)) to Underweight and Western Areas ((WSA)) to Neutral. Alumina Ltd ((AWC)) is also downgraded to Underweight and Sandfire Resources ((SFR)) to Neutral, because of lower prices and lack of valuation support. The broker advocates gold exposure to hedge against any macro shocks.

Goldman Sachs has downgraded Independence Group to Sell, believing the cash being harvested from Nova is as good as it gets. Western Areas is upgraded to Neutral following the recent price rally in nickel. Changes are largely driven by valuation as well as the relative performance of the stocks.

Nickel

Goldman Sachs expects the nickel price to reach US$20,000/t in three months time as Indonesia's ban would remove an estimated -10% of global supply. Following this, the price is expected to pull back to US$18,000/t in six months and US$16,000/t in 12 months as supply responds.

Commonwealth Bank analysts also estimate around 10% of global nickel supply is at risk but, given the forces that will likely respond to higher nickel prices, the net impact on a nickel deficit could be as low as -2.5%.

They also note speculation of the Indonesian ban help nickel prices higher before the announcement and they remain supported as consumers and traders stockpile refined nickel. Global growth concerns, however, are expected to weigh on spot nickel over the remainder of 2019.

Citi observes nickel is presenting similar features to those which occurred in the copper market nearly 25 years ago. There is a current disconnect between physical market weakness and tightness at exchanges. This signals major downside risk for nickel prices, exacerbated by the slowing in global growth.

Citi notes London Metal Exchange nickel short-dated spreads have recently become the most backwardated (where the spot price exceeds the futures) in 22 years. At the same time, bonded premiums for nickel in China have dropped into negative, the first time ever this has occurred in China and a rare occurrence across the metals complex.

When a similar situation occurred in mid 1995 with copper, called the "Sumitomo copper affair" it took a long time, the broker points out, but eventually the relative physical market weakness won out and LME copper prices collapsed.

The current situation is unlike what occurred in the first half of 2014, the last time Indonesia implemented a nickel ore ban. In 2014 rising premiums were providing the same fundamental signal as a tightening of LME spreads.

Copper

In line with poor activity data in China and a deepening industrial recession and several large economies, Goldman Sachs observes physical demand for copper has weakened further. In addition China's copper demand has been

constrained by the poor performance of the grid, property and transport sectors.

Nevertheless, the broker still envisages completions and grid investment will pick up strongly, although the impact on demand may not be felt before the first quarter of 2020.

Copper consumption is expected to contract in 2019 and increase mildly in 2020. Mine supply is expected to remain weak in 2020 and a significant deficit close to -300,000t should propel the copper price higher.

China Housing

Morgan Stanley expects an acceleration in property completions in China will support a transition in demand to copper from steel. Most copper is installed in the form of wiring and pipes, closer to the end of the construction cycle, so demand correlates best with completions.

Beyond direct use, copper demand is also expected to benefit from the purchase of white goods after completion and grid extensions to connect new properties. Morgan Stanley forecasts China's copper demand to grow 2.5% in 2020 and, together with an outlook for muted mine supply growth, this underpins a 2020 copper price forecast of US$2.93/lb.

On the other hand, China's steel demand and property starts are closely correlated, since 40% of steel demand comes from property construction and is typically early on in the construction process. Housing starts are slowing and likely to drive a -1.6% decline in China's steel output in 2020, in the broker's calculation.

Commonwealth Bank GDP growth forecasts for China have been downgraded to 5.8% in 2020 from 6.1% previously. This reflects any impact from an escalating US/China trade war as well as the global economic slowdown.

The analysts suspect renewed commodity demand in China revolves around infrastructure investment. Support is expected for infrastructure expenditure for the remainder of 2019 but demand is expected to slow more aggressively in 2020.

The US has delayed the increase in tariffs on US$250bn in Chinese imports, positive for oil and base metals and negative for gold, although the analysts suspect the market will need confirmation of a deal to crystallise expectations and the meeting between Presidents Trump and Xi at the APEC summit on November 16-17 could provide critical progress on a US/China trade deal.

Coking Coal

Commonwealth Bank analysts expect supply growth in seaborne coking coal will weigh on prices in 2020. China accounts for around 20% of global coking coal imports so a policy to restrict imports has a significant impact on the seaborne market.

The policy has also changed, targeting imports exclusively. Previously, China's over-production and over-capacity of coal were also in the firing line. After curtailing capacity for several years, China's net coal capacity is now expected to increase.

Meanwhile, global exports of coking coal are expected to increase by 7% in 2020 with heightened supply from Australia. Seaborne supply is expected to grow only 1-1.5% in 2019 as increased exports from Australia and Canada are countered by reduced supply from the US.

Oil

Oil prices have now fallen below the levels which occurred before the attack on Saudi Arabia's infrastructure. Demand concerns have returned as the main driver, Commonwealth Bank analysts observe.

Saudi Arabia has claimed that oil production capacity has returned to normal and the kingdom can supply the market with the same amount of oil as prior to the attacks. This is one month earlier than previously flagged.

While doubts still linger, the analysts note the number of nations now joining the US in blaming Iran for the attacks has increased and, therefore, tension continues to rise in the Gulf. Iran has not ruled out military activity in response to an increasing US presence and the analysts believe it prudent to assume that Iran could significantly disrupt oil supplies.

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.

FNArena is proud about its track record and past achievements: Ten Years On

ESG Focus: Prepare For The Plastic Revolution

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future: https://www.fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Prepare for the plastic revolution

Plastic has become an intractable problem and intractable problems require revolutionary solutions.

The world may be standing on the brink of a transformation as radical as the iPhone. This series of articles attempts to catalogue some the scenarios and opportunities that could unfold as the world grapples with plastic.

This first article focuses on the state of play, non-recycling, non-bio-plastic plastic substitutes, solutions and plastic waste collection, including taxes and regulation, social and cultural revolution and the evolution of the e-commerce portal.

The other articles in the series will focus on plastic, bio-plastic and recycling opportunities. Hang on to your seats.

By Sarah Mills

Plastic has become an existential threat. Governments and ESG investors around the world have announced a war on plastic and the sector is preparing for a period of profound disruption, one that will present investors with great opportunities – and risks. Plastics are used in nearly every industry.

Governments have already fired warning shots across the bows of the industry; and plastic producers, users, and disposers are either fortifying their defences or adapting, or both.

Based on the current technology and economy, the plastic problem appears intractable, so the first step in the solution has to be government regulation.

From there, given the breadth and complexity of the plastic problem, multiple solutions will present themselves. For example, governments will play an active role, either by regulating, or throwing vast sums at the problem through subsidies or skewing the playing field through carbon taxes and other taxes.

This alone will represent a market in the hundreds of billions to trillions of dollars. Investors will want to be on the right side of this equation.

Governments and philanthropists will also be offering inducements such as prizes to individuals and corporations that develop the best solutions for the most intractable problems.

The first round of innovation will have to come in the fields of capturing plastic, either from the environment, or before it enters the environment because without these innovations, plastic (at least single-use plastic) is dead in the water, excuse the pun – a form of karmic justice perhaps.

The next step is the development of a cradle-to-cradle circular economy for plastic. Investors can expect a two-pronged battle on this front: chemical and mechanical plastic recycling, backed by the powerful plastics and oil industries, on the one hand; on the other, natural carbon-neutral substitutes, led by a plucky band of bio-plastics producers and impact investors, who may find support from large corporations seeking specific solutions, and environmentally conscious consumers.

Other industry-specific opportunities are likely to arise, and there are also opportunities to be found in the traditional cradle-to-grave non-plastics markets such as paper packaging and hemp, particularly if recycling initiatives fail to deliver.

Governments are already expressing a bias towards circular economy initiatives.

Consumer goods companies are also demonstrating a clear bias towards recycling, and significant investment is flowing in this direction from the likes of giants such as Procter & Gamble and Coca-Cola. Coca-Cola has announced that 100% of its bottles are now made from recycled plastic.

This article focuses on the further recent entrenchment of plastic in the economy, taxes and subsidies, inducements, plastic-capturing/clean-up solutions such as waste collection, the role of government funding, and

taxes, non-plastic substitutes, and consumer choices; social engineering and re-use; the sharing economy and the evolution of e-commerce portals; and ESG impact investment and best-in-class investment.

The intractable problem has become more intractable

The plastic industry constituted 3% of the world's economy in 2015, according to the United Nations Environment Program. The World Bank estimates the global economy should tip $89trn in 2019, which puts the value of the plastics market at roughly $2.7trn (estimates from other sources are half this at $1.2trn). Its production also contributes to 6% of global greenhouse emissions. The stakes could barely be higher. And they are rising.

Fossil fuel companies have invested more than $180bn since 2011 into the coal-seam gas industry – primarily in the United States – unlocking an abundance of gas. But oil prices have fallen and US gas prices have collapsed.

As fate would have it, shale gas contains high levels of ethylene, which is easily converted into the resin required to make virgin plastic, and the beleaguered industry has been pumping out pellets as if there is no tomorrow. As a result, the world has been flooded with cheap plastic in the past few years.

The US government and taxpayer have also bailed out the shale gas industry, subsidising a massive Royal Dutch Shell factory in Pittsburgh to produce the pellets.

It is estimated that these new facilities, being built by fossil fuel companies such as Exxon Mobile Chemical, Saudi Aramco and Shell Chemical at fracking plants around the world, will help fuel a 40% rise in plastic production in the next decade, experts say.

Once carbon credits are introduced for capturing greenhouse gas emissions, it is conceivable that fossil fuel companies could receive credits for this ethylene capture in the plastic. They make money creating the problem and money to clean it up. Good money if you can get it. Certainly, if they can develop carbon capture technology, they will be paid for both selling carbon and capturing it.

Despite recyclers being paid to take plastic waste; sorting, transport and collection costs are relatively expensive, making it impossible for recycled plastic to compete with the glut of super cheap, government-subsidised, virgin plastics derived from fracking.

While coal-seam gas has a dreadful environmental profile, the elimination of coal is the first ESG target, and gas is not expected to be targeted or be subject to a carbon tax until post 2025, so without regulation, this will be the investment reality for the medium to long term.

Meanwhile, since the China Sword policy, hundreds of thousands of tonnes of plastic are piling up on the fringes of Australia's largest cities – a similar story around the world.

Something has to give – and soon.

Unless serious carbon reform is enacted, virgin plastic is here to stay. If serious carbon reform is enacted, then recycled plastic is here to stay. Either way, expect an avalanche of change as the world rebuilds around the substance.

Regulation is inevitable

Recycling legislation is well under way in many major economies and it is essential to combat the unsurpassable competitive advantage of cheap virgin plastic.

The EU has stipulated that 100% of all plastics and 55% of all waste must be recycled by 2025. France has already legislated that 30% of all plastics in consumer goods must be recycled content, and Britain has introduced a tax on plastic packaging containing less than 30% recycled material. At home, Australia is aiming for 30% average recycled content across all goods and infrastructure procurement by 2030.

These and similar moves have disconnected the interests of plastic producers and the world's biggest users of single-use plastics – the consumer goods companies. Add to that the potential damage to major brands core markets arising from a consumer backlash against plastic; and the consumer goods sector's links to virgin plastic are fragile.

Major consumer goods brands are seeking solutions (not just recycling) to the provision of their goods.

Leading brands, retailers and packaging companies are working towards 100% reusable, recyclable or compostable packaging by 2025 or earlier. Evian, L'Oréal, Mars, PepsiCo, The Coca-Cola Company, Unilever, Walmart, Werner & Mertz, Amcor ((AMC)), Nestle and Colgate Palmolive, are among the leaders. Coca-Cola has already modelled the cost of recycling into its prices. It may well hope to get an offset through ESG investing.

This solution seeking also has the potential over the next decade to shake up the retail industry and foster a move to vertical integration and create interesting developments in e-commerce portals (more on this later), which could alter the traditional wholesale/retail model that has dominated modern economies to date.

Taxes and subsidies – a trillion-dollar honeypot

The tax and subsidies-dollar for cleaning up plastics is expected to be one of the biggest games in town.

While some governments are opting for regulation as outlined above, which will result in shareholders and consumers sharing the cost impost via market forces, others may charge the taxpayer directly to subsidise the recycling industry and clean-up efforts.

It is difficult to put a dollar-value on this at this stage, but if you consider the world has subsidised the fossil fuel industry alone to the tune of nearly $5.2trn in 2017, according to The International Monetary Fund (IMF), then it is not inconceivable that the fossil-fuel backed plastic industry is already being subsidised to the tune of roughly $60bn. (IMF data also includes the cost of societal and environmental subsidies that depress the nation's tax base).

Direct government subsidies totalled $296bn (at 6%, plastics' share would represent roughly $17.8bn). The taxpayer already pays for more than 90% of the cost of recycling ($296 globally) and disposing of plastic.

The world's waste-management industry is valued at $360 billion, according to the World Bank. Landfill taxes are common globally.

Australia already exacts waste levies. Australia may also have to introduce an emergency tax on virgin resin or unused and unprocessed plastic as early as 2020.

Environmentalists favour regulation over taxes, saying taxes and subsidies would be a fraught and wasteful exercise given tax breaks often result in the adoptrion of the cheapest approaches and shortcuts. Similarly, certification could prompt unscrupulous operators to meet the minimum requirements only, resulting in unintended consequences.

Plastics and packaging firms on the other hand, decry regulation as a blunt tool and are lobbying hard to receive tax subsidies from the waste levies to shift to a circular economy that pivots on recycling. This would likely favour existing players at the expense of innovators.

Direct taxes on virgin plastic, or a shift to recycling, would hit every industry according to its exposure, and investors globally have been quantifying the impact and re-rating industries.

No subsidies were received by the media industry during its disruption, and it is a difficult stance to justify given the lack of predictability inherent in disruption and the natural predisposition of incumbents to protect their existing markets (which proved the downfall of media giants).

But then again, plastic is a major employer and it would not be the first time nations have subsidised manufacturers. It is also a fossil-fuel based product and has powerful backers.

Carbon tax would shake up the field

One wildcard is the impending carbon tax. It is difficult to predict how this will affect an already super-cheap plastic's market dominance, particularly now the mining of raw material for shale-based plastics and the polymer factories are being fused in one location, cutting transport costs and fuel and carbon usage. Pellets are being dropped on to trains and shipped out, further cutting the carbon profile.

As consumers increasingly turn up their noses at plastic packaging, plastics producers are quick to point out that plastic packaging substantially increases the shelf life of food, reducing transportation and related carbon costs.

The American Chemical Council has produced research comparing the carbon footprints of different materials such as glass, wood, paper, plastic and recycled plastic; and packaging companies such as Amcor have produced life-cycle models that show the full life cycle.

However, these industry models do not specifically isolate highly carbon-efficient, renewable substitutes such as hemp. Independent carbon modelling for the plastics industry may not be far away.

Waste management industry disruption

The global waste-management market was estimated at $330.6bn in 2017, according to the World Bank, and is expected to hit $530bn by 2025, posting a compound average growth rate of 6% between 2018-2025

The World Bank expects the quantity of plastic waste and costs related to its treatment are likely to double by 2025 - many would say this is a conservative estimate. Recycling alone was estimated as a $37bn global market in 2017,

representing 9% of the world's plastic production.

Some might think that the waste management industry is among the best-placed to benefit from these developments, but the opposite is true. The EU is planning zero waste to landfill regulation by 2025 and other nations are likely to follow suit.

Landfill is the cornerstone of the waste management industry's business model in Australia, and is the preferred option given it requires little expertise and offers higher margins. Any additional impost is an additional cost that needs to be subsumed or passed on to customers.

Landfill taxes also automatically hit waste management companies' profits. If the cost of collection becomes too expensive, then the waste producers are likely to scale back on producing waste – not a bad thing unless you are a waste management company.

They would have to cannibalise their existing revenue to innovate but lack the complex knowledge-capital required for plastic recycling, and are ill-placed to acquire it. The industry has not been helped by the recent high-profile breaches by SKM, which highlighted dubious and corrupt disposal practices.

Mergers and acquisitions with plastic recyclers could be a solution. Already joint-ventures and alliances are being formed. Cleanaway Waste ((CWY)), for example, is joint-venturing with TOMRA – the Norwegian reverse vending machine giant.

Some suggest that landfills could be designed as future mines when recycling comes of age. Both options would require developing strong waste sorting capabilities at a minimum. Acquisitions of plastic recyclers by major plastic companies is also an option.

Regardless, given the technical challenges in plastic production, it is likely that polymer producers, or their subsidiaries, will also be well positioned to provide services in the collection and sorting market, backed by the consumer goods sector and supermarket chains.

The one bright spot for the Australia's waste-management industry is that the waste China has rejected will probably have to be buried in the near to medium term until recycling scale is developed.

Unlike other western nations, Australia's manufacturing base is weak, so it will be virtually a ground-up build and will take some years. Construction companies, consultants and sub-contractors should benefit.

And it isn't just the infrastructure. Downstream markets for the mountains of recycled plastic also have to be developed.

Inexorable drive to a circular economy

It seems the first and most obvious solution to the problem is to stop using plastic. However, that still leaves the world drowning in existing plastic, which is a resource of $120bn a year, according to the Ellen Macarthur foundation.

Given the recent massive investment in shale plastic, with the exception of certain types of unrecyclable plastics, plastic is here to stay.

The only problem is that the technology, systems and infrastructure to support a circular economy do not exist, particularly, and most importantly, at the waste collection and sorting level.

And the waste keeps piling up.

This is the point where the unstoppable force meets the immovable object. This is where the bulk of opportunity for investors lies.

Inducements for innovation

Which takes us to the next solution: inducements for innovation. Governments and philanthropic institutions are offering hundreds of millions of dollars in prizes or subsidies to individuals or companies that can solve this problem or require funding for promising prospects.

The holy grail would be a system that can offer 100% recycling of all plastic that would sidestep the sorting process altogether, keeping the focus on collection and recycling. But that's still a way off.

In the meantime, a strong bias will exist to waste collection, clean-up and sorting technologies. Given as the cost of collecting waste from the oceans in particular is never likely to be recouped by recycling, it is likely that much of

these endeavours will be paid for by governments and philanthropists, some of the cost of which may also be passed on as a tax on virgin resin.

Collecting plastic waste – the great race

Harvesting the world's plastic for recycling is a prime target. If this doesn't happen effectively and soon, plastic is likely to be regulated out of existence.

Innovators are likely to find powerful backers in the plastics producers, packaging companies, consumer brands, ESG impact investors and philanthropists. Crowd-funding will play a small role.

We have all heard of the Dutch teenager Boyan Slat, who developed a floating plastic-removing machine and dispatched it to the great Pacific garbage patch between Hawaii and California. The aim was to collect and recycle, and halve waste within five years. It raised GBP1.57m and formed the Ocean Clean-up Company.

Unfortunately, it hit a snag in that they discovered the garbage moved faster than the machine. The team is revisiting the concept but they are already three years into development, illustrating the likely lag between ideas and their deployment.

Drones are being developed to locate, map and collect ocean waste. A marine drone called WasteShark, also of Dutch origin, has been launched in the United Kingdom. A 12-year-old girl has created a robot to detect plastics in the ocean; Australians surfers have invented Seabins, and the Japanese are experimenting with similar devices.

Other ideas more far-fetched ideas to harvest ocean plastic include proposals to build vertical recycling skyscrapers on abandoned oil rigs, or floating waste-to-energy high-rise plants within the ocean gyres rubbish patches and convert it to energy.

Again, the timeframes and expenditure required for building and deploying these technologies appear dubious, particularly given the weak recycling infrastructure and downstream markets. But they are all attracting funding.

A more promising set of waste-collection solutions involves harvesting waste before it hits the oceans.

Some are starting in the rivers, ports and harbours. For example, a Florida-based company called 4Ocean has developed a machine that skims waterways collecting waste. It is planning to deploy these internationally. The shark robots would also operate well in the harbour environment.

Others believe the trick is to collect all plastic waste within 31 miles of a waterway to prevent leakage to the ocean. These concepts typically revolve around reverse vending machines in an automated version of the old glass bottle deposit schemes. It makes sense, money is made of plastic but very little seems to make its way into the Pacific garbage patch.

Germany has made solid inroads into this market. Consumer brands such as Coca-Cola Amatil ((CCL)) have also announced their support for deposit schemes in supermarkets, and reverse vending machines are expected to be a feature of cities in the future.

TOMRA, a company founded in Norway, is the world-leader in reverse vending systems and its machines collect more than 40bn empty bottles worldwide. The company attempts to align itself with the United Nations Sustainable Development Goals, which suggests it is a likely recipient for ESG funding.

TOMRA Collections Australia is a joint-venture partner with ASX-listed Cleanaway Waste, something of a coup for Cleanaway, and TOMRA Cleanaway is a separate company. In a tainted industry, an association with an organisation of TOMRA's credentials sets Cleanaway apart.

This is just one example of the types of partnerships and mergers that will feature in this space.

Companies in Australia, such as Envirobank, are already selling reverse vending machines. Envirobank's rewards partners include Coles ((COL)).

Microplastics collection – solutions please

There is even hope for collecting the more insidious microplastics, caused mainly by footwear, clothes and tyres, from water. Macroplastics clearly threaten marine life and the food chain, but microplastics go one step further and threaten human health. Every creature on earth now contains microplastics.

An Irish teenager Fionn Ferreira recently won an international science award for his project, which removes microplastics from water.

Ferreira used ferrofluids, a combination of oil and magnetite powder, and magnets to extract microplastics from water. In 1,000 tests, Ferreira was able to remove more than 87% of microplastics from water samples.

At present, no screening or filtering for microplastics takes place in any European wastewater treatment centres. This technology could be developed and deployed at an industrial scale to treat water for plastic before it enters the ocean.

Versions of this technology could also be deployed the household context for products such as washing machine filters.

The technology could augur well for the ferrofluids market. Persistence Market Research estimates the global ferrofluids market will witness a compound average growth rate of 5.5% from 2017 to 2025 to US$73.9m from US$48.2m, based on demand from the medical sector and mobile phones. This does not include its potential application in the plastic recycling industry.

Companies operating in the magnetic liquid space include Ferrotec, Liquid Research and Strem Chemicals.

Waste sorting technologies in demand

Until all plastics can be recycled using one waste stream, innovation will be required to efficiently sort plastic into separate recycling streams, and to separate it from other waste.

General waste sorting is likely to become a specialisation of waste-management companies, whereas increasingly, plastic sorting is likely to become the preserve of recycling and companies.

Some estimates peg the potential value of the plastic sorting industry at $6.6bn.

There are several technologies relating to different types of plastics. One branch are chemical and frequency based sorting application, such as the separation of polyefinols; others on solutions using the first permanent magnetic liquids.

Others are in robotics. In the US, Max, an artificially intelligent sorting machine, has been the subject of some interest and has already received orders from European and British material recovery facilities.

Max is a robotic suction arm with a high-tech optical sorter (read camera and computer), that scans for specific objects, starting with plastic bottles and then other plastic groups. It picks 60 pieces a minute compare with human averages of 20-40. The arm extracts the items ranging from glass to plastic.

Other prototypes are sorting 70-80 items a minute. Tech engineers are trying to build sensors into the robot “fingers” to augment the primarily vision based sorting system. There will no doubt be opportunities for companies producing parts and developing improvements in different components.

Robots could conceivably be used to sort plastic from general waste. The more product waste-management companies can isolate for recycling, the less landfill tax they will pay, but plastic is light.

The more likely option is for stronger sorting protocols and fines in council garbage-collection. More bins would definitely be a requirement on this front, and a welcome repository for those shale plastic pellets. A market for home sorting and storage could also develop.

[To be continued in Part Two]

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future: https://www.fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

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.

FNArena is proud about its track record and past achievements: Ten Years On

Weekly Ratings, Targets, Forecast Changes - 11-10-19

By Rudi Filapek-Vandyck, Editor FNArena

Guide:

The FNArena database tabulates the views of seven major Australian and international stock brokers: Citi, Credit Suisse, 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 October 7 to Friday October 11, 2019 Total Upgrades: 5 Total Downgrades: 7 Net Ratings Breakdown: Buy 37.84%; Hold 45.60%; Sell 16.55%

As as the world of global finance continues to be dominated by macro factors, including Trump versus China and central bank stimulus/interventions, stockbroking analysts continue to downgrade more ASX-listed stocks than they issue upgrades.

For the week ending Friday, 11th October 2019, FNArena registered five upgrades (four went up to Buy) against seven downgrades, of which three dropped to Sell. Both Domino's Pizza and Netwealth were responsible for two downgrades each. Netwealth received two fresh Sell ratings ahead of a better-than-anticipated trading update (it's the outlook for margins).

Packaging company Orora, soon without paper operations, is represented on both sides of the week's ledger.

In the absence of company results and specific corporate news flow, not much is happening in terms of adjusting valuations and price targets. Two companies deserve to be mentioned for the week's increases in price targets; Lendlease Group and Orora, with CSL a distant third.

Even less is occurring on the negative side where only Viva Energy, suffering a -2.5% cut to the consensus target, is worth pointing at.

A little more action is apparent in the tables for amendments to earnings estimates. The week's table for positive revisions sees Corporate Travel Management on top, followed by ResMed, AP Eagers and Baby Bunting. The flip side has gold miner St Barbara on top, but the numbers are smaller, followed by EclipX Group, Orora and Bingo Industries.

Throughout the short term momentum on the back of Trump versus China news flow, investors' attention will likely draw to corporate earnings in the US, with the Australian calendar offering banks and AGMs.

Upgrade

BRAMBLES LIMITED ((BXB)) Upgrade to Neutral from Underperform by Credit Suisse .B/H/S: 1/5/0

The company reported first quarter revenue growth of 2% actual and 5% at constant currency, in line with Credit Suisse forecasts.

Management reiterated guidance and noted CHEP Americas revenue was up 7% because of higher pricing, particularly in Latin America, amid rollover benefits from US pallet contracts and solid volume growth.

Credit Suisse upgrades to Neutral from Underperform. Target is steady is $11.20.

FLIGHT CENTRE LIMITED ((FLT)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 5/2/0

Credit Suisse suspects the discussion regarding the sustainability of the shop network will only intensify. The broker disagrees with the bear case which suggests that the growth of online and home-based consulting will put pressure on the shops.

Flight Centre is considered well-placed to implement a transition and the cost base can be reduced with a manageable impact on profit. On the upside, Flight Centre now operates one of the largest online travel booking businesses in Australia.

The home channel is growing strongly as is corporate. The broker upgrades to Outperform from Neutral and raises the target to $49.91 from $47.76. Guidance will be provided at the AGM on November 9.

NEXTDC LIMITED ((NXT)) Upgrade to Add from Hold by Morgans .B/H/S: 6/0/0

Morgans upgrades to Add from Hold. The broker observes strong results are underpinned by significant structural growth. The broker had been concerned that market expectations for sales were too high but now assesses expectations have eased back to more realistic levels.

The main concerns centre around the need to accelerate sales in the tier 2 facilities as well as the balance sheet.

While the debt position appears full, Morgans appreciates there are long-term contracts that mean interest coverage increases in outer years as capital deployed starts to generate a return. Target is steady at $6.68.

ORORA LIMITED ((ORA)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 2/4/0

The sale price of the Australasian fibre business, with proceeds of $1.57bn, was ahead of Credit Suisse's valuation. Management has indicated a trading update will be provided at the AGM next week.

Credit Suisse reduces earnings estimates, suspecting weakness on the back of a soft US manufacturing survey, and given the company's statement that initiatives were being implemented to deliver earnings growth (does this mean earnings are not growing?).

Rating is upgraded to Outperform from Neutral and the target raised to $3.40 from $2.80.

See also ORA downgrade.

SYDNEY AIRPORT HOLDINGS LIMITED ((SYD)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/2/1

Sydney Airport has started to re-negotiate access agreements. Macquarie assesses the company is facing a more challenging slot environment, as competitors, such as Western Sydney, Melbourne and Brisbane, are adding runway capacity.

Thus the emphasis needs to shift to service quality in order to differentiate the airport. Additional T4 expenditure to enhance capacity is likely to mitigate pricing pressure, the broker acknowledges.

Macquarie does not consider the multiple stretched, while the recent sale of Hobart Airport emphasises the value in Sydney Airport.

Rating is upgraded to Outperform from Neutral and the target raised to $8.77 from $8.53.

Downgrade

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Neutral from Outperform by Macquarie and Downgrade to Neutral from Buy by Citi .B/H/S: 1/5/0

Macquarie observes the company's growth outlook is robust across Europe and Japan, as categories are expanded and market share is obtained.

The company's investor briefing provided no trading update and the broker downgrades to Neutral from Outperform following the recent share price performance and transfers coverage to another analyst.

The broker expects the stock to trade sideways until the market becomes more comfortable about Australasian earnings in FY20 and beyond as well as franchisee profitability. Target is $48.40.

Citi lowers the rating to Neutral from Buy, given the 28% rise in the share price. The investor briefing provided more detail about the benefits of store density.

While the reasoning is logical, the broker believes there are intermediate challenges, where a pre-existing store can experience lower sales for several years when a new store opens nearby.

The business has good prospects but the broker believes this is factored into the share price. Targets raised to $46.40 from $44.00.

INDEPENDENCE GROUP NL ((IGO)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 1/1/2

With nickel prices rising 65% in the year to date and stockpiles continuing to be drawn down, Ord Minnett increases FY20 estimates for the nickel price by 35%. This lifts earnings estimates for the company by 30%.

The broker believes strong spot prices have come at a good time for offtake negotiations as concentrate markets are already tight. The broker raises the target to $5.70 from $5.30 but downgrades to Lighten from Hold, assessing the positives are priced into the equity.

NETWEALTH GROUP LIMITED ((NWL)) Downgrade to Sell from Neutral by UBS and Downgrade to Underperform from Neutral by Credit Suisse .B/H/S: 1/2/3

Netwealth's Sep Q net flows were up 40% on the prior year, but FY20 guidance requires a 60% increase. Given the ANZ Private Bank mandate win, UBS believes this is achievable. Thus earnings growth prospects remain strong. Target rises to $7.50 from $7.25.

But margin risk is growing. The broker is forecasting an RBA cash rate of 0.25% by May, which would knock -9% off earnings on reduced cash spread margins. Given Netwealth's forward PE has re-rated to 49x from 39x in FY19, UBS downgrades to Sell.

Credit Suisse downgrades to Underperform from Neutral, as trading multiples are now limiting the share price upside. First quarter funds under administration were up 8.5% amid positive market movements. Flows were strong but slightly below expectations.

While the company is making the most of its unique opportunity, created by the disruption of the wealth management industry, a declining revenue margin is diluting growth, in the broker's view. Target is $7.60.

ORORA LIMITED ((ORA)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/4/0

Orora will sell its Australasian fibre business to Nippon Paper and Ord Minnett believes the latter has clearly paid a premium at $1.72bn. The broker believes the decision to sell was the right one as there were minimal synergies with the other businesses under Orora's umbrella.

However, the quality of the portfolio has been diluted, as the North American business now represents close to half of group earnings (EBIT).

Given this, the broker downgrades to Hold from Accumulate, awaiting an update at the AGM. Target is raised to $3.25 from $3.00. The broker assumes the transaction closes in January 2020 and $1.2bn is returned to shareholders via a special dividend.

See also ORA upgrade.

WESTERN AREAS NL ((WSA)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 2/3/1

As nickel prices have risen 65% in the year to date and stockpiles are being drawn down, Ord Minnett updates nickel price forecasts. FY20 nickel price forecasts are increased by 35% which lifts earnings estimates for the company by 270%.

The strong spot prices have arrived at a good time for offtake negotiations for miners as concentrate markets are already tight.

However, the broker believes this is priced into the equities and downgrades Western Areas to Hold from Speculative Buy. Target is raised to $3.20 from $2.90.

Total Recommendations Recommendation Changes

Broker Recommendation Breakup

Broker Rating Order Company New Rating Old Rating Broker Upgrade 1 BRAMBLES LIMITED Neutral Sell Credit Suisse 2 FLIGHT CENTRE LIMITED Buy Neutral Credit Suisse 3 NEXTDC LIMITED Buy Neutral Morgans 4 ORORA LIMITED Buy Neutral Credit Suisse 5 SYDNEY AIRPORT HOLDINGS LIMITED Buy Neutral Macquarie Downgrade 6 DOMINO'S PIZZA ENTERPRISES LIMITED Neutral Buy Macquarie 7 DOMINO'S PIZZA ENTERPRISES LIMITED Neutral Buy Citi 8 INDEPENDENCE GROUP NL Sell Neutral Ord Minnett 9 NETWEALTH GROUP LIMITED Sell Neutral UBS 10 NETWEALTH GROUP LIMITED Sell Neutral Credit Suisse 11 ORORA LIMITED Neutral Buy Ord Minnett 12 WESTERN AREAS NL Neutral Buy Ord Minnett Recommendation Positive Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 NXT NEXTDC LIMITED 92.0% 75.0% 17.0% 6 2 SYD SYDNEY AIRPORT HOLDINGS LIMITED 33.0% 17.0% 16.0% 6 3 CSL CSL LIMITED 50.0% 36.0% 14.0% 7 4 FLT FLIGHT CENTRE LIMITED 71.0% 57.0% 14.0% 7 5 CWY CLEANAWAY WASTE MANAGEMENT LIMITED 42.0% 30.0% 12.0% 6 6 ORA ORORA LIMITED 42.0% 36.0% 6.0% 6 Negative Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 DMP DOMINO'S PIZZA ENTERPRISES LIMITED 7.0% 36.0% -29.0% 7 2 LLC LENDLEASE GROUP 70.0% 90.0% -20.0% 5 3 BIN

BINGO INDUSTRIES LIMITED 25.0% 33.0% -8.0% 4 4 VEA VIVA ENERGY GROUP LIMITED 42.0% 50.0% -8.0% 6 Target Price Positive Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 LLC LENDLEASE GROUP 18.180 17.268 5.28% 5 2 ORA ORORA LIMITED 3.103 2.967 4.58% 6 3 CSL CSL LIMITED 246.986 241.986 2.07% 7 4 CWY CLEANAWAY WASTE MANAGEMENT LIMITED 2.277 2.252 1.11% 6 5 DMP DOMINO'S PIZZA ENTERPRISES LIMITED 43.284 42.941 0.80% 7 6 SYD SYDNEY AIRPORT HOLDINGS LIMITED 8.223 8.183 0.49% 6 Negative Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 VEA VIVA ENERGY GROUP LIMITED 2.215 2.274 -2.59% 6 2 FLT FLIGHT CENTRE LIMITED 49.074 49.339 -0.54% 7 3 BIN BINGO INDUSTRIES LIMITED 2.425 2.433 -0.33% 4 Earning Forecast Positive Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 CTD CORPORATE TRAVEL MANAGEMENT LIMITED 100.332 87.067 15.24% 6 2 RMD RESMED INC 56.112 51.566 8.82% 7 3 APE AP EAGERS LIMITED 48.774 45.374 7.49% 5 4 BBN BABY BUNTING GROUP LIMITED 16.350 15.250 7.21% 4 5 LLC LENDLEASE GROUP 134.040 132.560 1.12% 5 6 CSL CSL LIMITED 649.195 643.907 0.82% 7 7 ASX ASX LIMITED 259.057 257.600 0.57% 7 8 IAG INSURANCE AUSTRALIA GROUP LIMITED 37.871 37.729 0.38% 7 9 AQG ALACER GOLD CORP 41.113 41.066 0.11% 3 10 RIO RIO TINTO LIMITED 969.607 968.504 0.11% 7 Negative Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 SBM ST BARBARA LIMITED 33.290 34.915 -4.65% 4 2 ECX ECLIPX GROUP LIMITED 9.980 10.400 -4.04% 5 3 ORA ORORA LIMITED 16.894 17.486 -3.39% 6 4 BIN BINGO INDUSTRIES LIMITED 9.600 9.933 -3.35% 4 5 VEA VIVA ENERGY GROUP LIMITED 8.662 8.900 -2.67% 6 6 FLT FLIGHT CENTRE LIMITED 264.443 270.929 -2.39% 7 7 TCL TRANSURBAN GROUP 20.683 20.883 -0.96% 7 8 PTM PLATINUM ASSET MANAGEMENT LIMITED 26.360 26.560 -0.75% 5 9 TAH TABCORP HOLDINGS LIMITED 20.080 20.217 -0.68% 6 10 CWY CLEANAWAY WASTE MANAGEMENT LIMITED 7.617 7.660 -0.56% 6 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: Deadline Extended

The global uranium market will have to wait at least another 30 days before Trump's Working Group delivers the report the market has been hanging out for.

-Climate change in focus -Working Group report delayed -Spot market falls quiet

By Greg Peel

"Finding the right approach to long-term, economic, and reliable electricity supply is the central challenge to the decarbonization of the future global economy," noted the director general of the Nuclear Energy Agency of the OECD last week. "A vision of the future that incorporates variable renewable energy sources and cost-effective, advanced nuclear energy in a balance based on economic reality is one path to success."

The NEA director general was speaking at the inaugural International Conference on Climate Change and the Role of Nuclear Power, organised by the International Atomic Energy Agency, at which some 550 attendees representing 79 countries and 18 international organizations participated.

The IAEA acting director general opened the conference by noting "Advances being made in several countries concerning the final disposal of high level radioactive waste may help to alleviate public concerns about the long-term sustainability of nuclear power."

The director general of the World Nuclear Association delivered the keynote speech at the event, stating, "The nuclear industry is committed to delivering what it needs to do to save our planet from climate change. Our technology is ready, our supply chain is ready, and our people are ready. But to achieve this we must have action from governments to create the conditions needed to allow nuclear energy to deliver its potential."

She noted that nuclear power avoids the emission of more than 2,500 million tonnes of carbon dioxide every year, compared to fossil fuels. This is equivalent to removing about 400 million cars from the world's roads.

More Waiting

Which is all well and good, but not of much consequence right now for a global uranium market still in waiting mode.

Donald Trump's Working Group into the US nuclear supply chain was due to report last Thursday, but no such report was forthcoming. The belief is the report deadline has been extended for thirty days. Perhaps the president has something else on his mind.

Adding to uncertainty is the pending expiry of the waivers on US sanctions on Iran – October 30. If the waivers are not extended, those companies working with Iran on its nuclear facilities will be sanctioned, being companies from Russia, China and Europe, thus disrupting US nuclear fuel imports.

The spot uranium market thus slowed to a crawl once again last week. Industry consultant TradeTech reports four transactions totalling 550,000lbs U3O8 equivalent concluded. The lack of interest saw sellers prepared to lower offer prices, hence TradeTech's weekly spot price indicator fell -US40c to US$25.00/lb.

TradeTech's term price indicators remain at US$27.00/lb (mid) and US$31.00/lb (long).

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.

FNArena is proud about its track record and past achievements: Ten Years On

The Short Report - 17 Oct 2019

See Guide further below (for readers with full access).

Summary:

Week ending October 10, 2019

Last week saw the ASX200, bottom as US recession fears abated and hope on the trade front re-emerged.

From last week's Report, in reference to a lot of green on the table:

"I'm just a little bit sceptical because I've been here before often enough to know that when shorts appeared to be covered in such numbers, it could be a case of misleading ASIC data. It may all revert next week. For now, we'll take it as read, but with a grain of salt until then."

I should have stuck with sceptical, as one can judge from all the red on the table below. A lot of the big short reductions last week became short increases this week, including the likes of JB Hi-Fi ((JBH)), GWA Group ((GWA)), Domino's Pizza ((DMP)) and Nearmap ((NEA)).

So no Movers & Shakers this week, as it may be misleading. Although perhaps we can explain a couple of moves.

Nufarm ((NUF)) shorts appear to have fallen again, from 17.4% three weeks ago to 12.7% two weeks ago and 10.7% last week, in the wake of the company's sale of its LatAm business.

Bank of Queensland ((BOQ)) shorts only needed to tick up slightly to put the stock in the 10%-plus club. The bank reported earnings this morning and as I write, the shares are down -4%.

Webjet ((WEB)) has supposedly jumped from under 5% to 7.0%, but this could be explained by the collapse of Thomas Cook Travel.

Similarly, Rural Funds Group ((RFF)) has appeared from nowhere to be 6.0% shorted, but anything "rural" is not difficult to justify.

Other than that, life would be much easier if ASIC data were more reliable.

Weekly short positions as a percentage of market cap:

10%+ GXY 17.1 ORE 16.3 SYR 16.3 ING 14.9 NXT 14.0 JBH 12.8 GWA 12.4 HUB 11.2 NUF 10.7 BKL 10.6 BOQ 10.4 SDA 10.4 DMP 10.2 BIN 10.4

In: BOQ, DMP

9.0-9.9

CGC, MTS, IVC, HVN

In: HVN, IVC Out: BOQ, BGA 8.0-8.9%

PPT, BGA, OML, NEA, BWX, IFL, DCN, CGF, SUL, RWC

In: BGA, PPT, IFL, CGF Out: DMP, IVC, HVN

7.0-7.9%

SGM, CLH, PLS, SAR, MIN, A2M, WEB

In: SAR, MIN Out: CGF, PPT, IVC

6.0-6.9%

MYR, CSR, NCZ, RSG, AMP, RFF, SFR

In: RSG, RFF Out: MIN

5.0-5.9%

CLQ, CTD, COE, ADH, GEM, CUV, TGA, NEC, FMG, SLR, NWL, SEK, LNG, PGH, GUD, KLA, GMA, KGN, AWC,

In: ADH, GEM, CUV, TGA, SLR, PGH, KLA, KGN Out: SAR, RSG, MSB

Movers & Shakers

See above.?

ASX20 Short Positions (%)

Code Last Week Week Before Code Last Week Week Before AMC 0.6 0.7 RIO 4.9 4.8 ANZ 0.5 0.6 S32 1.4 1.4 BHP 3.3 3.4 SCP 1.1 1.1 BXB 0.1 0.1 SUN 0.5 0.1 CBA 0.7 0.8 TCL 0.4 0.3 COL 0.9 1.0 TLS 0.2 0.2 CSL 0.2 0.2 WBC 0.8 0.8 IAG 0.5 0.5 WES 0.7 0.7 MQG 0.4 0.5 WOW 0.7 0.8 NAB 0.7 0.6 WPL 0.8 0.7 To see the full Short Report, please go to this link

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:

ASX20 Short Positions (%)

Code Last Week Week Before Code Last Week Week Before AMC 0.6 0.7 RIO 4.9 4.8 ANZ 0.5 0.6 S32 1.4 1.4 BHP 3.3 3.4 SCP 1.1 1.1 BXB 0.1 0.1 SUN 0.5 0.1 CBA 0.7 0.8 TCL 0.4 0.3 COL 0.9 1.0 TLS 0.2 0.2 CSL 0.2 0.2 WBC 0.8 0.8 IAG 0.5 0.5 WES 0.7 0.7 MQG 0.4 0.5 WOW 0.7 0.8 NAB 0.7 0.6 WPL 0.8 0.7 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.

FNArena is proud about its track record and past achievements: Ten Years On

The Wrap: Clothes, Waste, Utilities & Ports

Weekly Broker Wrap: clothing; refinery margins; waste management; fund managers; platforms; utilities; and port volumes.

-Clothing consumption trends signal structural decline -Consolidation likely to drive Australian waste management industry -Momentum likely to continue for financial services platforms -AGL & Origin benefiting from higher wholesale electricity prices -Port movements in August at the weakest for 10 years

By Eva Brocklehurst

Clothing

Morgan Stanley suspects clothing markets may be going into structural decline. Over the past 20 years, prices for apparel have fallen in developed markets and this has, to date, been offset by consumers buying larger quantities.

However, volumes appear to have peaked and prices are still falling. Even online clothing retailing in the UK appears to be going into decline. The broker assesses the world's leading retailers for apparel have, on average, experienced earnings downgrades of almost -40% since the beginning of 2016.

While the shift in channel to online is clearly unhelpful to volume consumption it does not fully explain the trend. The possibility exists that clothing purchases have now moved beyond utility, whereby most individuals in developed countries have more than they want or require and are therefore spending money elsewhere.

Clothing has become cheaper to produce, with Asia providing most of the clothing manufacturing globally. Morgan Stanley envisages scope for production to continue to shift from China to even lower-cost countries, such as Vietnam and Bangladesh. Moreover, technology could significantly reduce the amount of labour required to make clothing and keep prices on a downward spiral.

The broker suggests falling prices, static volumes and ongoing channel shifting make for a toxic combination and apparel consumption in developed markets may now have hit a ceiling.

Refinery Margins

Margins in refining continue to improve, which provides a positive bias to Morgan Stanley's earnings forecasts, although a large uplift is not expected for the September quarter.

This has been a trend with diesel throughout 2019 but now gasoline margins are also increasing. The broker suspects crude premiums have risen, which will offset some of the gains for both Viva Energy ((VEA)) and Caltex ((CTX)).

The large spike in gasoline margins has only occurred recently and therefore should become more evident in the December quarter if maintained. Caltex has guided for lower production from its refining facility in the second half 2019 which will limit some of its performance.

The key to the stock performance will be whether both these companies can show that retail conditions are improving.

Waste Management

Citi believes the long-run dynamics of the Australian waste management industry will be driven by consolidation and a need for increased waste processing and recycling capacity.

There are high barriers to entry being driven by licensing and compliance requirements while there remain prospects for further margin expansion. This should underpin double-digit earnings growth for participants, albeit revenue growth could moderate in FY20 as volumes soften and tailwinds from acquisitions fade.

Citi initiates coverage on the sector with a cautious outlook, awaiting further evidence that the passing through of costs has been effective. The broker rates Bingo Industries ((BIN)) Neutral/High Risk with a $2.40 target and Cleanaway Waste ((CWY)) Buy with a $2.40 target.

Fund Managers

Fund managers revealed material net outflows in the September quarter. Magellan Financial Group ((MFG)) bucked the trend, Macquarie observes, delivering around $1.3bn of inflows in the quarter. The broker suggests market conditions were supportive for asset growth, albeit less so than in previous quarters. Market movements increased funds under management by 1-5% across the sector.

Nevertheless, the broker observes valuation support has emerged and while flow trends are clearly a concern, the recent de-rating has meant Perpetual ((PPT)) is upgraded to Neutral from Underperform. Given the relative valuation appeal of Pendal Group ((PDL)) and the potential for flows to improve it remains Macquarie's preferred exposure in the sector.

Platforms

Morgans expects momentum on financial services platforms, Netwealth ((NWL)) and HUB24 ((HUB)) will continue through FY20, supported by adviser growth and increasing funds under administration per adviser.

The broker expects the downside impact from lower cash rates can be contained, although there is potential for heightened volatility around any decisions by the Reserve Bank of Australia.

Earnings on cash transaction account balances are the largest earnings risk and a challenge to sentiment, in the broker's view. At this stage, Morgans expects Netwealth will experience a limited impact from the latest official rates while the will be some marginal impact on HUB24.

Utilities

Higher wholesale prices in the electricity market continue to benefit AGL Energy ((AGL)) and Origin Energy ((ORG)) and UBS estimates prices will average $91/megawatt-hour across the national electricity market in 2020 before declining to $77/megawatt-hour in 2021.

The broker estimates over 4GW of committed new renewable capacity will enter the market by the end of 2020, driving prices down, although this will be slowed by grid constraints.

Despite the market providing short-term price signals to encourage new investment in dispatchable generation, competing policy settings between state and federal governments are stifling investment decisions, in the broker's view.

The distribution between intraday electricity spot prices is expected to widen and this will result in volatility, headwinds for base-load generation as well as slow the impact of renewables in reducing average prices. UBS anticipates further headwinds for some renewable project developers until additional transmission capacity and a clearer pricing framework are implemented.

Port Volumes

Container movements across Australia's four major ports declined -12.2% in August, the weakest monthly movement in 10 years. This was driven by a slowdown in imports and exports. The rate of export growth has slowed materially since the start of the first half FY20 with NSW heading the list. NSW container volumes declined by -16% and Victoria's by -8.3%.

Citi retains a Sell rating for Qube Holdings ((QUB)) and $2.70 target. The broker believes the current share price reflects high expectations for the Moorebank project and leaves no room for near-term operating weakness. The broker forecasts first half volume growth of 4.5% for the Patrick business and 3.5% industry volume growth for the operating division.

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.

FNArena is proud about its track record and past achievements: Ten Years On

US Avenue For City Chic To Expand

The acquisition of US apparel retailer Avenue, with a focus on online business, is expected to provide meaningful earnings accretion for City Chic Collective.

-Key feature is a well-established customer database -Some revenue leakage likely from physical stores being closed -City Chic's northern hemisphere sales likely to increase to over 35%

By Eva Brocklehurst

City Chic Collective ((CCX)) is prioritising investment in its online business and to this end has acquired the e-commerce assets of Avenue, a US-based retailer of larger sizes in 'value brand' apparel.

The acquisition provides an additional customer base within the same broad US market, estimated to be worth US$25bn. Citi emphasises the synergies, noting the seller was distressed and the price paid is modest. The e-commerce assets of Avenue were acquired for US$16.5m, to be financed from cash reserves and a new credit facility.

The acquisition is considered highly attractive as it is accretive, and there is an immediate exposure to the value segment of the US, a key feature being a well-established customer database. Synergies are expected from improving the conversion of website traffic to sales, utilising the customer database and improving sourcing, as well as cost savings.

The main issue is whether the store base of 233 stores is central to e-commerce sales. Canaccord Genuity considers the acquisition a low-risk opportunity to help gain market share, although notes some revenue leakage is likely, given reports the physical store network will be completely shut down. The broker expects meaningful earnings accretion once the business is integrated and maintains a Buy rating and $2.25 target for City Chic.

Store Closures

Allowing for revenue leakage from physical stores being closed and the bankruptcy of Avenue, Bell Potter still estimates US sales for the company will more than triple. Moreover, the broker suspects cross-selling opportunities as Avenue customers can be introduced to City Chic's product range and vice versa.

Avenue currently buys product from vendors in New York. Based on conservative assumptions for revenue retention and margins, Bell Potter increases FY20-22 estimates for earnings per share by 10-17%. The broker increases the target to $3.10 and retains a Buy rating.

Avenue entered Chapter 11 bankruptcy in August and Baillieu warns that assuming sales progressively deteriorated over recent years to the point of bankruptcy, consumers may now be less willing to transact with the business.

Hence, the broker assumes the company is able to retain only around 50% of Avenue's online sales and, on a 10% earnings margin, derives an approximate earnings contribution of $4.8m. The broker assumes a lower margin for the Avenue online business of 10% versus the City Chic operating margin of 16.8% in FY19.

City Chic's northern hemisphere sales represented around 20% of the total in FY19 and Baillieu calculates the addition of Avenue is likely to increase northern hemisphere sales to over 35%.

The broker estimates a potential uplift in FY21 earnings per share of 16% but also notes considerable uncertainty around the the impact of the transaction as well as integration risks. Given the recent share price appreciation, Baillieu downgrades to Hold and has a target of $2.66.

Noting the Avenue online revenue component for the five months to May 2019 was US$27m, Citi scales up estimates to obtain some perspective over 12 months. The comparison shows Avenue would have US$65m in annual sales compared with the City Chic US sales of US$28m.

Citi agrees there is a risk the market may be overly enthusiastic about the deal, noting the City Chic share price has risen by $1.12 since the news of Avenue's Chapter 11 bankruptcy. While liking the transaction, the broker is mindful the integration will take time and retains a Sell rating on the stock with a target of $2.30.

While City Chic also focuses on the larger-sized market in women's apparel, accessories and footwear, its range appeals to a younger age group compared with Avenue. Price points are lower at Avenue and the range more

conservative, owing to the slightly older target demographic.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Sealink Travel Boards The Transit Systems Bus

The acquisition of Transit Systems Group is expected to transform Sealink Travel into a major operator of metropolitan bus services.

-Sealink Travel likely to be re-rated post acquisition -Significant portion of revenue now subject to long-term contracts -Sealink Travel now more an infrastructure management business

By Eva Brocklehurst

The marine transport & tourism business of Sealink Travel ((SLK)) will take the back seat in the bus going forward, with the company's acquisition of Transit Systems Group.

Transit Systems operates metropolitan bus services for governments in Australia, the UK and Singapore. The Transit Systems model is characterised by monthly service payments under long-term contracts, indexed to the consumer price index at both the revenue and cost levels.

There is also relatively modest capital expenditure because a significant portion of the buses are either government-owned (85%) or, if company-owned, up-front expenditure is reimbursed typically over the life of the contract.

The acquisition comprises a payment of $598m in cash and scrip, with a deferred consideration of $37m payable in cash in three instalments, for a total of $635m. There is an earn-out component of up to $63m. Consideration will be funded by an institutional placement and entitlement offer.

A key feature of the deal is that both the vendors and Sealink senior management will own more than 40% of the group. In addition to cash of $329m the vendors will take $269m in Sealink scrip.

Ord Minnett downgrades estimates for FY20 earnings per share by -10% and upgrades FY21 by 17%. The broker retains a Buy rating with a $5.85 target and expects the stock will be re-rated post the acquisition, which requires the usual regulatory approvals.

The broker observes the Transit Systems business appears to have growth opportunities both in Australia and internationally, having already identified New Zealand and the US as areas of potential expansion. A material bus tender pipeline of $3.56bn has been slated across Australia, the UK, US and Singapore.

Taylor Collison expects the stock should trade at a 9.5x FY21 estimated enterprise value/operating earnings multiple in the first full year of ownership, reflecting the diversity of earnings and superior operating margins but also taking into consideration a large portion of the business is contracted. The broker has a target of $4.50 and upgrades to Outperform.

Risks

Notable risks, Ord Minnett suggests, include exposure to the variability in passenger numbers on several of the routes the company services. Sealink Travel is also a sole operator on a number of key routes and there is a risk that competition emerges.

A significant portion of revenue will be subject to long-term contracts and there is a risk that one or a number of these could be lost, which may have an adverse impact on earnings.

Ord Minnett notes around one third of the Transit Systems contracts are due for renewal in the next 12 months, and the company has already been informed it will likely lose the London contract, although brokers expect this is unlikely to be material to earnings. The company asserts it can more than compensate for the loss of the London contract by winning a new route to service the Joondalup region in Western Australia.

Transit Systems delivered pro forma operating earnings (EBITDA) of $78m in FY19. Sealink has called out net synergies of $4-4.6m and guided to FY19 pro forma accretion in the high teens, before synergies and transaction costs.

Baillieu also upgrades, to Buy, with a $5.20 target, and considers the deal compelling. This view is based on the company following its traditional business model of transporting passengers to a timetable. Contracted revenues will also increase to 83% from 34% of the group on a pro forma basis.

Management Changes

Management changes will occur, with the Transit System CEO, Clint Feuerherdt becoming CEO of the combined group. Mr Feuerherdt will take 100% Sealink Travel scrip as consideration for his stake in Transit Systems.

The current CEO of Sealink, Jeff Ellison, will assist in the change over and remain on the board as a non-executive director. Founding shareholder of Transit Systems, Neil Smith, will join the Board of Directors upon completion of the transaction.

Transit Systems was founded in 1995 with a single bus contract for Midland Western Australia. Contracts were then won in Adelaide and Sydney before expansion to London in FY13. Entry to Singapore occurred in FY16. In FY19 Transit Systems acquired Sita Group in Victoria.

Ord Minnett now describes Sealink Travel as an infrastructure management business, as this will provide 85% of revenue. The remainder is the tourism component. Sealink traditionally operated a fleet of 27 ferries offering passenger, freight and charter services which then expanded to barge services across south-east Queensland.

Captain Cook Cruises WA was acquired in 2016 and in 2018 the company acquired Kingfisher Bay Resort Group, which included 2 resorts, as well as tourism and ferry services on Fraser Island.

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.

FNArena is proud about its track record and past achievements: Ten Years On

Does (Lack Of) Substance Mean (Lack Of) Momentum?

Dear time-poor reader: the real question to ask might not be what is the outlook for equities, but rather for which part of the share market exactly?

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

-Does (Lack Of) Substance Mean (Lack Of) Momentum? -Conviction Calls - Part One -Uncorrelated Yield - Research Reports -Conviction Calls - Part Two -Rudi Talks -Rudi On Tour

[Items not in bold are included in Part Two, which will be published on Friday morning on the website.]

Does (Lack Of) Substance Mean (Lack Of) Momentum?

By Rudi Filapek-Vandyck, Editor FNArena

Brief recap of what has transpired across the Australian share market since January: upon an initially tepid recovery from deeply oversold levels, equity markets put in a multi-month rally which saw cheaper-priced laggard stocks lead the rest of the market higher by some 20% by late July (total return, including dividends).

In professional funds management parlance the period can today be classified as a brief return to outperformance for "Value" over "Growth". In other words: this was the time for miners and banks, and for industrial cyclicals to shine. It's not that the operationally more solid Growth performers weren't performing; they still did, just not to the same extent as their much cheaper priced brethren.

As the general focus started shifting to the increasingly challenged global outlook, and to the fact many companies operating under the "Value" label were issuing profit warnings ahead of the August reporting season, momentum in the share market swung back to the relative safety of proven, reliable performers such as CSL ((CSL)), REA Group ((REA)), Goodman Group ((GMG)) and smaller cap popular favourites Afterpay Touch ((APT)), Jumbo Interactive ((JIN)), and others.

The swing in relative momentum proved justified throughout the August reporting season with most stocks in the "Growth" basket meeting or beating market expectations, while their (still) cheaper priced peers, in general terms, continued to display weakness, vulnerabilities and an overall inability to beat already much reduced expectations. Underlying, the first cracks have started to appear in Australia's outlook for shareholder dividends, but this story will have a much longer tail ahead.

Shortly after the August reporting season, global equities made another attempt to swing momentum back to "Value" away from "Growth", at times helped by corrections in bond yields and pompous announcements by the White House marketing machine about the Greatest Inter-Country Deal about to be signed off on in human history.

Naturally, if such a deal were ever forthcoming, and it would genuinely stimulate economic growth in 2020 and beyond, this would undoubtedly benefit miners, banks and other cyclicals, which is why these shares rally harder whenever financial markets decide to run along with the official White House narrative.

In the absence of any concrete appeasement containing a lot of substance, those same cyclicals, otherwise referred to as "Value" stocks, continue to face slowing economic momentum, and possibly worse. Ongoing negotiations between the USA and China, with regular updates on prospective outcomes, have directed investors' attention away from corporate profits, and from specific threats and vulnerabilities.

Here is where things might become interesting in the coming weeks. The Q3 corporate results season in the US is about to take off. In Australia, investors focus is about to be awoken by banks reporting financial results, as well as the likes of Australian Pharmaceutical, Unibail-Rodamco-Westfield and Orica, all firmly in the "Value" basket, while expectations remain buoyant for quarterly and out-of-season financial reports from "Growth" companies including ResMed, Xero, TechnologyOne and Macquarie Group.

Of equal importance: the AGM season for corporate Australia is about to commence and this sees many boards updating or issuing guidance for the first half or full financial year, and shareholders will be voting on remuneration and other resolutions.

With general sentiment cautious but positive and share prices in general terms "not cheap", while also drawing a direct reference to ongoing tough circumstances for large parts of the local share market, only weeks after August

delivered possibly the weakest performance from corporate Australia post-GFC, it seems but plausible this latest attempt by professional funds managers to favour "Value" over "Growth" could inject, at the very least, many a twist and turn into daily market moves, with elevated market volatility as the cherry on the cake.

"Growth" stocks might have enjoyed some seven years of relative outperformance over "Value" in the Australian share market (in US equity markets Growth outperformance is now in its 11th year), the key problem with switching into "Value" today remains slowing economic growth, while bond yields are making no attempt to jump higher (outside of temporary "corrections"), inflation remains absent and central bank stimulus remains the all-important driver, whether investors like it or not.

Against this background, the next few weeks can provide a number of fresh insights, and raise additional questions. Maybe this is a time when one shouldn't be too confident either way?

AGM Season In Australia

Both stockbroker Morgans and analysts at Macquarie released their previews for the upcoming AGM season in Australia.

Morgans has selected Macquarie Group ((MQG)), Cleanaway Waste Management ((CWY)), IPH ltd ((IPH)), Super Retail ((SUL)), Accent Group ((AX1)) and Afterpay Touch ((APT)) for a potential positive surprise. Candidates selected for negative admissions include Flight Centre ((FLT)), Bega Cheese ((BGA)), Pendal Group ((PDL)) and Qube Logistics ((QUB)).

Investors should note since the release of that preview, Flight Centre did issue a profit warning while Pendal Group's quarterly update was apparently not as bad as feared, with its share price regaining upward momentum this week. The story of these two opposites further adds to the complexity of owning cheaply priced stocks that continue to be surrounded by bad news.

Analysts at Macquarie point out recent AGM seasons in Australia have seen aggregate trading volumes for stocks pick up by some 37% on days of a company's AGM. Another interesting observation is that stocks tend to underperform, albeit only marginally, post AGM. They tend to catch up after approximately four weeks (but not last year).

In addition, those company boards that receive a "strike", meaning investors vote down the executive remuneration report, also tend to subsequently underperform. The incidence of such strikes has been on the rise in Australia in recent years. Last year total strikes amounted to 9.3% of all AGMs.

Under the current two-strike legislation, if more than 25% of shareholders vote against a remuneration report two years in a row, this automatically triggers a motion to spill the Board.

Boards that received one such strike last year include ANZ Bank ((ANZ)), Austal ((ASB)), Brickworks ((BKW)), Clean Teq Holdings ((CLQ)), Computershare ((CPU)), Emeco Holdings ((EHL)), Goodman Group ((GMG)), Harvey Norman ((HVN)), Karoon Gas ((KAR)), Mineral Resources ((MIN)), Myer ((MYR)), National Australia Bank ((NAB)), Tabcorp Holdings ((TAH)), Telstra ((TLS)), and Westpac ((WBC)).

For both Karoon Gas and Myer last year marked the second consecutive strike. For Mineral Resources it was the third in a row.

Companies that may well deliver a positive catalyst during AGM season, according to Macquarie, include a2 Milk ((A2M)), Charter Hall ((CHC)), Domino's Pizza ((DMP)), Lendlease Group ((LLC)) and Origin Energy ((ORG)) among ASX100 members. Outside of that index Macquarie is anticipating potential positive news from Autosports Group ((ASG)), Bapcor ((BAP)), IDP Education ((IEL)), IPH ltd, Lovisa Holdings ((LOV)), Polynovo ((PNV)), and Steadfast Group ((SDF)).

It appears both Morgans and Macquarie have nominated IPH ltd on the potential for management to achieve higher than anticipated synergies out of the acquired Xenith IP.

Companies considered at risk of making a bad news announcement include Regis Healthcare ((REG)), Sims Metal Management ((SGM)), Wagners Holdings Company ((WGN)), Blackmores ((BKL)), and Genesis Energy ((GNE)).

To further muddle the how best to navigate the AGM season this year guide, investors should also consider the following observation from Macquarie analysts post a positive surprise at the company's AGM: "on average investors perceive an overreaction in the short term resulting in a short-term negative drift in the first three weeks following the AGM. Thereafter sentiment reverts and the stocks begin outperforming the market on aggregate."

There is market speculation that CSL could potentially lift guidance for the full financial year at its AGM this week. No doubt this is one contributing factor to the share price rising past the consensus price target of $247.27 on Tuesday, further closing in towards the newest price targets which are all above $250.

UBS 20/20 Model Portfolio

The reason as to why professional funds managers are trying to outperform through cheaper priced "Value" stocks is because, in theory, there are higher returns to be had from beaten down, laggard shares prices of, say, Karoon Gas, Galaxy Resources ((GXY)), Lycopodium ((LYC)) and Shine Corp ((SHJ)), but "in theory" does not automatically translate into "actual outcome", and timing is definitely not guaranteed.

One common example is bank/insurer Suncorp ((SUN)) whose share price has been ranging between (roughly) $12.50 and $15 since early 2014. This means the shares have essentially not generated much in terms of sustainable return, outside of the dividends paid over the period.

Over those five years the stock has featured a number of times as looking attractively priced, and as offering an attractive yield, but now stockbroking analysts are forecasting a steady decline in dividends for the years ahead. Unless this dynamic reverses, it is difficult to see how the Suncorp share price can rally back to the top of the range, let alone beyond it.

Another reason to re-position portfolios towards the "Value" segment in the market is the belief that central bankers will apply everything in their toolkit to support growth, and to reset growth to a higher level. If they succeed in their mission, global economies can potentially be in a different environment altogether by this time next year. Either that, or governments will have to jump in as well.

The opposite view is that either central bank policies are losing their might and the next economic recession is already unavoidable, or maybe "Value" investors are jumping the gun way too early. What about the third scenario whereby central bankers keep on pushing cash rates and bond yields towards zero (and possibly beyond) but the outcome remains tepid inflation and low growth?

The latter view is backed by equity strategists at UBS who recently launched their 20/20 Model Portfolio on the central belief that interest rates are now in a lower-for-longer environment and real growth opportunities are to remain few and far in between on the share market.

On this basis, the two most preferred sectors in the UBS Model Portfolio are Healthcare and Technology. Most preferred portfolio inclusions are CSL, REA Group, and Altium ((ALU)). Least preferred stocks are Sims Metal Management and Stockland ((SGP)). The latter because of ongoing tough dynamics for retailers combined with weak land and residential sales.

UBS clearly continues to like selected AREITs, such as Shopping Centres Australasia ((SCP)), GPT ((GPT)) and Charter Hall ((CHC)), as well as Transurban ((TCL)) and Woolworths ((WOW)). More technology is represented via Carsales ((CAR)), Appen ((APX)), ResMed and Nanosonics ((NAN)), though the latter two are officially branded as "healthcare" stocks, while Carsales resides under the "media" label.

Treasury Wine Estates ((TWE)) is in there too, as is a2 Milk, and gold miner Evolution Mining ((EVN)). Banks and other financials, building materials and other cyclicals; they are not on UBS's most preferred list.

Special Note: FNArena continues to monitor corporate results in Australia via a dedicated section on its website: https://www.fnarena.com/index.php/reporting_season/?

This section also includes a corporate results calendar.

Conviction Calls - Part One

Analysts at Morningstar have not been big fans of investing in mining stocks for quite a while now, and they usually emphasise to investors mining companies are ultra-cyclical, require a lot of capital and have no moat.

Nevertheless, Morningstar recently took it upon itself to rank local mining stocks in line with the perceived "quality" of the businesses. As such, it probably surprises no-one the two highest quality miners listed on the ASX are named BHP Group ((BHP)) and Rio Tinto ((RIO)), followed by Newcrest Mining ((NCM)) and Iluka Resources ((ILU)).

From then onwards the ranking splits in two groups:

-short life metal miners with relatively low operating costs -other bulk commodity miners

The first group offers OZ Minerals ((OZL)), Regis Resources ((RRL)), Independence Group ((IGO)), and Sandfire Resources ((SFR)).

****

Stockbroker Baillieu has updated its selection of Top Picks (most preferred exposures) among mid and small cap ASX-listed companies.The selection contains Adairs ((ADH)), Ardent Leisure Group ((ALG)), Bapcor ((BAP)), EQT Holdings

((EQT)), Hansen Technologies ((HSN)), Monadelphous Group ((MND)), MNF Group ((MNF)), Steadfast Group ((SDF)), and Village Roadshow ((VRL)).

****

Analysts at UBS lined up their favourites among consumer stocks in Australia and the selection consists of Flight Centre ((FLT)), Treasury Wine Estates ((TWE)), a2 Milk ((A2M)), and Premier Investments ((PMV)).

While the report was released prior to Flight Centre's profit warning, we note the price target has hardly budged and UBS's rating for the shares has remained Buy.

Rudi Talks

On Monday, I was interviewed by Peter Switzer about the Trade War and where equities might be heading. A separate video fragment has been uploaded to Youtube and can be accessed here:

https://www.youtube.com/watch?v=Z6WHOKXdIak&t=790s

Rudi On Tour In 2020:

-ASA Hunter Region, near Newcastle, May 25

(This story was written on Monday and Tuesday, 14 & 15 October 2019. Part One was published on the Tuesday in the form of an email to paying subscribers, and again on Thursday as a story on the website. Part Two will be published 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).

****

BONUS PUBLICATIONS FOR FNARENA SUBSCRIBERS

Paid subscribers to FNArena (6 and 12 mnths) receive several bonus publications, at no extra cost, including:

- The AUD and the Australian Share Market (which stocks benefit from a weaker AUD, and which ones don't?) - Make Risk Your Friend. Finding All-Weather Performers, January 2013 (The rationale behind investing in stocks that perform irrespective of the overall investment climate) - Make Risk Your Friend. Finding All-Weather Performers, December 2014 (The follow-up that accounts for an ever changing world and updated stock selection) - Change. Investing in a Low Growth World. eBook that sells through Amazon and other channels. Tackles the main issues impacting on investment strategies today and the world of tomorrow. - Who's Afraid Of The Big Bad Bear? eBook and Book (print) available through Amazon and other channels. Your chance to relive 2016, and become a wiser investor along the way.

Subscriptions cost $440 (incl GST) for twelve months or $245 for six and can be purchased here (depending on your status, a subscription to FNArena might be tax deductible): http://www.fnarena.com/index2.cfm?type=dsp_signup

(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.)

Rudi's View: Uncorrelated Yield & More Conviction Calls

Dear time-poor reader: more research on ASX-listed uncorrelated yield options, and more Conviction Calls from stockbrokers.

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

-Does (Lack Of) Substance Mean (Lack Of) Momentum? -Conviction Calls - Part One -Uncorrelated Yield - Research Reports -Conviction Calls - Part Two -Rudi Talks -Rudi On Tour

[Items not in bold were published in Part One on Thursday morning]

Uncorrelated Yield - Research Reports?

By Rudi Filapek-Vandyck, Editor FNArena

Australian investors have increasingly become more gun-shy when it comes to deciding upon further investments to boost the income potential of their portfolios.

Sure, there is nothing to be gained from sticking with term deposit-like options, but on the other hand, were global equity markets to experience a repeat of late 2018, or worse, that's not an attractive proposition either.

In addition, I have been warning about the increasing likelihood the year ahead will see, on balance, less dividends being paid out in total by ASX-listed companies, which in simple terms means: dividend cuts are coming. Plenty of speculation around bank dividends are no longer as safe as they were, say, five years ago.

The thirst for income is not drying up, which is probably why a new generation of yield providers is enriching the local bourse. And investors, of course, are increasingly paying attention, as witnessed here at FNArena through enquiries and questions from subscribers and other investors.

I wrote about this new market segment a few weeks ago in "The Right Lessons To Learn"

https://www.fnarena.com/index.php/2019/09/12/the-right-lessons-to-learn/

More recently, colleague Greg Peel, put together a general snapshot in "SMSFundamentals: Finding Yield In A Low Rate World"

https://www.fnarena.com/index.php/2019/10/11/smsfundamentals-finding-yield-in-a-low-rate-world/

For those who want to add to their own research on any of the ASX-listed entities involved, we offer the opportunity to download research reports published by Independent Investment Research (IIR):

-Gryphon Capital Income Trust ((GCI)):

https://www.fnarena.com/articles/D26879C0-94E5-5F43-32B201073E464023.pdf

-KKR Credit Income Fund ((KKC)):

https://www.fnarena.com/articles/D261F91A-032B-4D0E-652FBE14939826AA.pdf

-MCP Master Income Trust ((MXT)):

https://www.fnarena.com/articles/D26DAEC4-A24A-3AE9-8D0E759CF01362D4.pdf

-Moelis Australia Fixed Income Fund:

https://www.fnarena.com/articles/D273CA65-F082-46B9-7032CD94ADBA393C.pdf

-NB Global Corporate Income Trust ((NBI)):

https://www.fnarena.com/articles/D273CA65-F082-46B9-7032CD94ADBA393C.pdf

-Partners Group Global Income Fund:

https://www.fnarena.com/articles/92BEF7FA-969C-56B0-A0443568DA03046A.pdf

-Perpetual Credit Income Trust ((PCI)):

https://www.fnarena.com/articles/D27DD07F-EC20-7BBB-731F333199C91C45.pdf

-Qualitas Real Estate Income Trust ((QRI)):

https://www.fnarena.com/articles/D2829749-BC3F-EB73-513DCE0AE0A9D6E1.pdf

We equally received a number of enquiries about the upcoming Latitude Financial Group IPO, for which we do not have a research report to share with you. In my humble opinion, investors will be better off ignoring the ubiquitous market machine that is now enveloping the local market ahead of the Latitude IPO, from which many an institution will be deriving fees.

Non-aligned analysts at Morningstar recently published their view on the Latitude Financial IPO. Here are some of the key conclusions drawn by Morningstar:

"Our research on the upcoming Latitude IPO concluded with a fair value estimate of $2.00 per share at the lower end of the $2.00–$2.25 indicative price range. Consequently, it is not a bargain even at $2.00, and the process of bidding for stock at an unknown price is annoying.

"While Latitude is launching a buy-now-pay-later product to compete with the likes of Afterpay Touch and Zip, we suggest buy later, not now and south of latitude $2.00".

According to media news reports, the Latitude introductory share price was at first dropped to $1.78, then canceled altogether.

Conviction Calls - Part Two

Canaccord Genuity equally refreshed its Top Australian Stock Picks for the final quarter of 2019. Included are CML Group ((CGR)), Galilee Energy ((GLL)), Healthia ltd ((HLA)), Kathmandu Holdings ((KMD)), MNF Group ((MNF)), OZ Minerals ((OZL)), Primero Group ((PGX)), Redbubble ((RBL)), and Resolute Mining ((RSG)).

****

Stockbroker Morgans has revealed its list of Best Ideas, consisting of stocks believed to offer the highest risk-adjusted returns on a twelve month view, backed by a higher-than-average level of confidence by the broker's analysts.

It turns out, Morgans' Best Ideas lists no less than 29 names; Telstra ((TLS)), Wesfarmers ((WES)), Treasury Wine Estates ((TWE)), Woolworths ((WOW)), Woodside Petroleum ((WPL)), Oil Search ((OSH)), Westpac ((WBC)), Sonic Healthcare ((SHL)), Sydney Airport ((SYD)), APA Group ((APA)), ResMed ((RMD)), Cleanaway Waste Management ((CWY)), Link Administration ((LNK)), Orora ((ORA)), OZ Minerals ((OZL)), Frontier Digital Ventures ((FDV)), PWR Holdings ((PWH)), Lovisa Holdings ((LOV)), AP Eagers ((APE)), Cooper Energy ((COE)), Kina Securities ((KSL)), Generation Development ((GDG)), Pro Medicus ((PME)), Over the Wire ((OTW)), Iress Market Technology ((IRE)), Orocobre ((ORE)), Red 5 ((RED)), Aventus Group ((AVN)), and APN Convenience Retail REIT ((AQR)).

Earlier this month, Morgans released its Best Buys by sector, declaring it believed share prices for each of Westpac, Cleanaway Waste Management, Telstra and Woodside Petroleum represented "standout opportunities" for local investors.

Other Best Buys include:

-among Diversified Financials: Link Administration, Kina Securities, Generation Development -among Industrials: Orora, PWR Holdings -in healthcare: ResMed, Sonic Healthcare, Pro Medicus -Telcos and IT & Software: Telstra, Over the Wire -Consumer Discretionary: Wesfarmers, Lovisa Holdings, AP Eagers, Beacon Lighting ((BLX)) -Resources: OZ Minerals, Orocobre, Red 5 -Energy: Oil Search, Cooper Energy -Infrastructure & Utilities: Sydney Airport, APA Group -Online Media: Iress Market Technology, Frontier Digital Ventures -Property: Aventus Group, APN Convenience Retail REIT

****

Small cap specialists at JP Morgan (equally adopted by Ord Minnett) have reiterated their Top Pick preference for Corporate Travel Management ((CTD)), while their Bottom Pick remains Collection House ((CLH)).

****

Market strategists at Wilsons have moved away from the concept of constructing and communicating a Model Portfolio. Their new approach is putting together an Australian Equities Focus List, which offers more flexibility, on their own assessment, through identifying specific stock opportunities.

Here's the central premise upon which the Focus List is based: "Equity market performance has disconnected from earnings performance during 2019. We don't think this is likely to change in the near term."

Wilsons' Focus List is thus Overweight Healthcare, Industrials, Real Estate and Info Tech with most preferred exposures CSL ((CSL)), ResMed ((RMD)), ImpediMed ((IPD)) and National Veterinary Care ((NVL)) for the healthcare sector, Atlas Arteria ((ALX)), Monadelphous Group ((MND)), Seven Group ((SVW)) and Transurban ((TCL)) among industrials, and Goodman Group ((GMG)), Scentre Group ((SCG)) and Rural Funds (RFF)) in the AREITs sector.

The Technology sector is represented via Computershare ((CPU)), Xero ((XRO)), Afterpay Touch ((APT)), Link Administration ((LNK)), Bravura Solutions ((BVS)), EML Payments ((EML)), ReadyTech ((RDY)), and Whispir ((WSP)).

Wilsons list of Conviction Insights experienced the removal of Collins Foods ((CKF)) on October 1st. Remaining inclusions are Bravura Solutions, EML Payments, ReadyTech, Whispir, GUD Holdings ((GUD)), Ridley Corp ((RIC)), ImpediMed, National Veterinary Care, Countplus ((CUP)), EQT Holdings, Pinnacle Investment ((PNI)), Noni B ((NBL)), Ausdrill ((ASL)), Mastermyne ((MYE)), and Whitehaven Coal ((WHC)).

****

Bell Potter has released its Ten Favoured Stocks with a market capitalisation above $1bn for the twelve months ahead, comprising of WorleyParsons ((WOR)), Macquarie Group ((MQG)), Aristocrat Leisure ((ALL)), Goodman Group ((GMG)), Mirvac Group ((MGR)), Lendlease Group ((LLC)), Netwealth Group ((NWL)), Amcor ((AMC)), Downer EDI ((DOW)), and Brambles ((BXB)).

Rudi Talks

Audio interview: are investors buying "cheap" looking stocks at exactly the wrong time?

https://www.youtube.com/watch?v=EQuGHASJ1M4

On Monday, I was interviewed by Peter Switzer about the Trade War and where equities might be heading. A separate video fragment has been uploaded to Youtube and can be accessed here:

https://www.youtube.com/watch?v=Z6WHOKXdIak&t=790s

Rudi On Tour In 2020:

-ASA Hunter Region, near Newcastle, May 25

(This story was written on Monday and Tuesday, 14 & 15 October 2019. Part One was published on the Tuesday in the form of an email to paying subscribers, and again on Thursday as a story on the website. This is Part Two).

(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).

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.

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.

FNArena is proud about its track record and past achievements: Ten Years On

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.

FN arena
PASSIONATE ABOUT FINANCIAL NEWS

Financial News for the Bright and the Uneducated. And for everybody else in between.

FN Arena News
Building the Future of Financial Journalism

www.fnarena.com

Trials are free and without any obligation