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STOCKS TIPPED TO OPEN FLAT ON THE BACK OF MIXED SIGNALS FROM US

Index	Index Level	Change (%)	Stocks	Price (\$)	Change (%)	Price rises	Price (\$)	Change (%)
All Ordinaries	4514	0.21	ANZ	22.93	0.88	WBC	23.70	2.38
ASX S&P200	4497	0.25	CBA	52.08	1.15	MTS	4.46	2.29
SPI Futures	4490	0.42	NAB	24.97	0.81	TLS	3.27	1.87
Dow Jones (US)	10538	0.12	WBC	23.70	2.38	WDC	12.41	1.55
FTSE (UK)	5366	0.27	MQG	39.30	-1.11	TOL	6.06	1.51
Shanghai(China)	2575	-0.51	BHP	39.75	-0.18	Price falls	Price (\$)	Change (%)
Nikkei 225 (Jap)	9497	-0.07	RIO	70.09	-0.23	QBE	16.43	-3.18
Hang Seng (HK)	20973	0.64	WPL	41.96	-0.40	CPU	10.09	-2.51
AUS/USD	0.9014	-0.11	WOW	25.82	-0.04	HHY	1.20	-1.64
Gold (\$US)	1158.00	-2.12	WES	30.36	0.93	COH	73.78	-1.53
Oil (\$US)	76.93	-2.34	HVN	3.55	0.28	CFX	1.95	-1.27

Market Summary

The Australian market pushed higher yesterday after another positive session from Wall Street. Overnight European markets continued to rebound from lows on the back of sovereign debt issues. The US Dow Jones pushed higher as DuPont delivered solid earnings but the broader S&P500 fell slightly.

Today the Australian market is looking positive with the SPI Futures up 19 points but the focus remains on the upcoming earnings season and also the consumer price index to be announced mid-morning.

Long View

The big news overnight was that BP had announced a new CEO and taken a \$US32.2bn pre tax charge on the Gulf of Mexico Oil Spill and recorded an after tax loss of \$17bn for the second quarter. BP also said that it would sell \$30bn worth of assets in the next year in order to make funds available, repay debt that is due within 12 months and ensure liquidity during the period.

To put this in perspective the cash flow for BP last year was around \$26bn dollars so effectively the cost to the company is one year of cash flow should the estimation of damage made by the company be correct. Asset sales may also hamper its growth but there should be no questions as to whether BP can survive the oil spill. BP is the fourth largest company in the world by revenue. Its resources are vast, so vast that they may be able to use cash earned from other operations in one year to overcome the disaster. While BP's image and environmental standing may suffer it will remain one of the strongest companies in the world.

Australian Company & Economic Reports

Wesfarmers (WES) said coal production from its key Curragh mine was 2.3m tonnes in the three months ended June 30, 6.4% higher than in the previous quarter. Wesfarmers' share of production from the Bengalla mine was 591,000 tonnes, up 20% on the previous quarter because the group was operating in a more productive part of the mine, the company said in a statement. At the Premier mine, coal production was 619,000 tonnes, 7.6% below the previous quarter due to lower demand from Verve Energy. WES strengthened 28 cents (0.93%) to \$30.36.

Insurance Australia Group (IAG) said it expects its full-year profit to almost halve after its UK business made a substantial loss and unprecedented storms in Melbourne and Perth drove up natural peril claim costs. IAG, which is due to release its full year result on Aug. 26, said it expects to report a \$91m net profit for the year ended June 30, down from \$181m a year earlier. "While this year's financial result does not reflect the expectations we held at the outset of the year, I'm encouraged by the clear and ongoing improvement in the operational performance of our businesses in our home markets of Australia and New Zealand," IAG Chief Executive Mike Wilkins said. IAG maintained its insurance margin guidance for the 2011 financial year of 10.5%-12.5%. The 2010 financial year margin is estimated at 7.0%, which the company said is in line with guidance of 6.0%-7.0% given in June.

The profit fall is partly due to a previously announced rise in bodily injury claims in its UK motor insurance business. IAG said in a June 2 trading update that it expected to recognise a one-time pre-tax charge of about \$365m at the UK

division in the 2010 financial year. IAG removed the head of its UK operations, Neil Utley, and said he would be replaced by Ian Foy, currently chief executive of the company's New Zealand business. Wilkins said the second half of the 2010 result has also borne more than \$200m of net pre-tax costs in respect to the Melbourne and Perth storms in March. IAG fell 15 cents (4.29%) to \$3.35.

International Market Report

Strong earnings from DuPont helped drive the Dow Jones Industrial Average higher on Tuesday, but the Standard & Poor's 500 fell as a drop in consumer confidence weighed on consumer-sensitive stocks including Home Depot and McDonald's.

The Dow Jones Industrial Average eked out a gain of 12.26 points (0.12%) to 10,537.69, its highest close since May 17. The measure is up 7.81% on the month, on pace for its best month since last July.

DuPont was the Dow's best performer, up 3.6%. The chemical giant's second-quarter profit nearly tripled from the same time a year ago. Revenue increased more than expected on improved volume and higher selling prices.

The Dow's gain was limited by its consumer-related components, which fell following data showing US consumer confidence declined again in July. The consumer-confidence reading hit its lowest level since February and missed expectations slightly. Investors said the report was a painful reminder of the divergence between strong earnings and weak economic data. Home Depot dropped 1.4%, McDonald's slipped 0.7%, and Walt Disney fell 0.4%.

The Nasdaq Composite dropped 8.18 (0.36%) to 2,288.25. The Standard & Poor's 500 index declined 1.17 (0.10%) to 1,113.84.

US Steel fell 6.4% after the steel giant posted a second-quarter loss on currency impacts. While shipments surged in its flat-rolled products and revenue more than doubled, the company warned that the "gradual and uneven" recovery in the US and Europe would drag its third-quarter operating results below the second quarter's.

Lexmark leapt 8.5% as the printer company's second-quarter earnings rose on improving demand, and it forecast third-quarter earnings and revenue above analysts' estimates.

For Australian ADRs listed on the NYSE, **BHP Billiton** declined 0.1%, **Rio Tinto Plc** increased 0.81%, **Telstra Corporation** rose 1.17% and **Westpac** firmed 1.78%.

In economic news, the Conference Board's index of consumer confidence fell to 50.4 in July raising concerns about second-half consumer spending. Consumer expectations for economic activity over the next six months plunged to 66.6, from a revised 72.7.

The financial sector led European shares to strong gains on Tuesday, as UBS and Deutsche Bank reported strong quarterly profits and bank regulators announced a compromise on capital rules.

The Stoxx Europe 600 index ended up 0.4% at 258.11, rising for a sixth day. Of the major regional benchmarks, the French CAC-40 index posted the most gains; it ended up 0.8% at 3,666.40.

In Paris, shares of Societe Generale soared 10.6% and those of Credit Agricole surged 10.1%. Shares of Barclays rose 7.6% in London.

The Basel Committee on Banking Supervision proposed new capital and liquidity rules for the sector, which were more benign than expected. Among the key changes is a decision to allow "some prudent recognition" of capital held in minority-owned banking subsidiaries, as well as a relaxation on the treatment of deferred tax assets and a longer phasing-in period.

UBS shares jumped 12%. It swung to a second-quarter net profit of 2bn Swiss francs (US\$1.9bn), well above analyst expectations for a CHF1.26bn profit. Shares of Deutsche Bank climbed 4%, as the bank reported a rise in quarterly profit.

The German DAX index gained 0.2% to 6,207.31 and the UK FTSE 100 index rose 0.3% to 5,365.67.

In the energy sector, BP shares lost 2.6%. BP named Robert Dudley as its new chief executive, replacing Tony Hayward. It also reported a \$17.2bn loss in the second quarter, as it booked \$32.2bn in charges linked to its response to the Gulf of Mexico oil spill. In the same period a year ago, BP had posted a profit of \$4.39bn.

On the FTSE 100, **Rio Tinto** added 0.16% and **BHP Billiton** remained unchanged.

Asian markets ended mixed as Hong Kong stocks advanced after earnings optimism fuelled gains on Wall Street. Japan's Nikkei Stock Average ended down 0.1% after rising in the previous three sessions, China's Shanghai Composite slid 0.5% and Hong Kong's Hang Sang Index rose 0.6%, stretching its winning run to a sixth straight session.

Base metals closed lower on the London Metal Exchange as investors used the recent elevation in prices as a selling opportunity. Aluminium rose \$2 (0.10%) to \$2,057 while copper fell \$45 (0.63%) to \$7,085 and nickel weakened \$230 (1.11%) to \$20,530. Zinc dropped \$40 (2.05%) to \$1,910 and lead shed \$45 (2.23%) to \$1,970. Comex copper was last quoted at 319.80 US cents per pound.

Gold futures dove to three-month lows, as relative calm across financial markets focused attention on recent outflows from the yellow metal. Spot gold was last quoted at \$1,162.65. Comex gold futures slid \$29.00 (2.44%) to \$1,158.00. Spot silver was last quoted at \$17.62.

Oil prices fell nearly 2% as stocks wavered between gains and losses and selling momentum took over after the day's two major pieces of macroeconomic news disappointed investors. West Texas Intermediate was last quoted at US\$77.50 per barrel.

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