

# Market Summary

08 July 2014

## Equity Markets

### Australian Equity Markets

The Australian equity market got off to a solid start yesterday morning shortly after the opening bell, before momentum faded and indices closed marginally lower. The S&P/ASX 200 finished the day 6.07 points or 0.11% lower to close at 5,518.91 – snapping a three-day winning streak.

Returns were mixed at the sector level, with gains in IT (+0.82%), Consumer Staples (+0.13%) and Consumer Discretionary (+0.12) being offset by declines across Health Care (-0.55%), Industrials (-0.44%) and Telco's (-0.32%). Gains in IT, the smallest sector in the Australian market, were led by Computershare (CPU) and carsales.com Ltd (CRZ) which advanced 0.55% and 1.68% respectively.

It was another busy day for corporate activity with shares in Wotif.com (WTF) rallying 24.62% after US listed company Expedia proposed a 100% takeover of the company, valuing it at A\$703.1m or A\$3.30 per share. We believe this is a good price given the structural challenges faced by WTF including declining market share and the compression of margins.

Elsewhere, gaming technology group Aristocrat Leisure Ltd (ALL) went into trading halt after it announced that it has agreed to buy Video Gaming Technologies Inc. for about \$1.3 billion to triple its North American business amid falling profit in Australia. The purchase will be partly funded by an underwritten institutional placement of \$375 million while the company will also arrange new debt facilities totalling almost \$1.4 billion to finance the takeover and to repay existing borrowings.

In economic news, there was little data out yesterday, however the ANZ monthly jobs ads reading did jump in June, up 4.3% from a downwardly revised 5.7% decline in the month of May.

Looking ahead at today, our local market appears set for a mildly negative start to trading this morning with the SPI futures index closing 4 points lower overnight. Today sees the release of the NAB business survey for June. One of the many points made in RBA Governor Stevens' speech last week was that business confidence has, unlike consumer confidence, been relatively immune to the negativity surrounding the Federal Budget. To an extent, that should have been expected, given the policy mix, focussed on households, that was announced. However, the NAB survey's measures of business conditions, which we view as more significant, have been losing steam over the last couple of months. Several of the more important conditions indices - profitability, trading conditions, and prices - were at six month lows in May. Were these levels to persist in the June survey, it would represent a further confirmation of the loss of momentum in activity and could pose some downside risks to the upcoming reporting season.

### US Equity Markets

US equity markets retreated overnight as analysts brought forward estimates for the Federal Reserve to raise interest rates. The Dow Jones Industrials Average and S&P 500 lost 0.26% and 0.39% respectively while the NASDAQ fell 0.77%.

Goldman Sachs Group revised its forecasts for the Federal Reserve to raise rates to the third quarter of 2015, rather than the first three months of 2016, saying the economy is 'accelerating to an above trend pace'. While this appeared to pull the reins on investor confidence, it's important to note that this isn't a new train of thought and that many estimates have already been pulled forward over the past quarter given the ongoing signs of economic improvement in the US.

### European Equity Markets

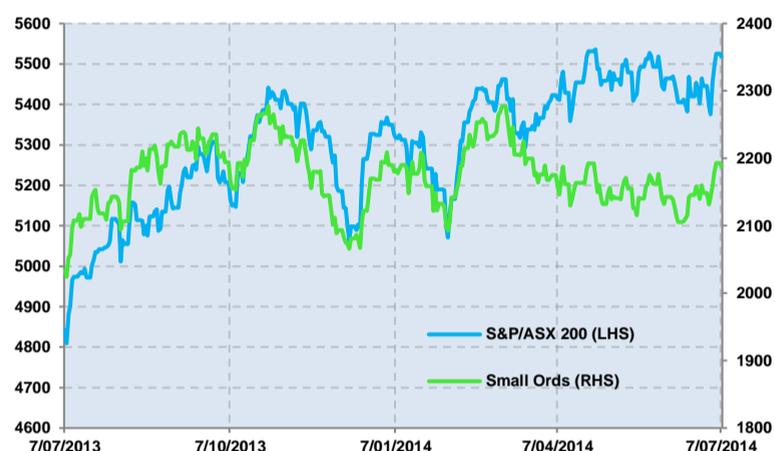
European equity markets fell overnight with the Stoxx Euro 600 declining 0.91%. The FTSE 100, DAX and CAC dropped 0.62%, 1.03% and 1.41% respectively.

In Germany, data from the Economy Ministry in Berlin showed industrial production slipped 1.8% in May.

## Equity Indices

as at 08/07/14 08:21

Australia	Close	Chg	Chg %	MTD %
S&P/ASX 200	5,518.91	-6.07	-0.11%	2.28%
ASX All Ords	5,506.27	-5.53	-0.10%	2.31%
S&P/ASX Small Ords	2,188.40	-4.50	-0.21%	2.68%
S&P/ASX 200 Industrials	8,495.03	-6.60	-0.08%	1.93%
S&P/ASX 200 Resources	4,209.20	-10.10	-0.24%	3.70%
S&P/ASX 200 Prop Trust	1,081.60	9.80	0.91%	1.12%
Small Cap Industrials	2,308.18	-1.09	-0.05%	2.29%
Small Cap Resources	2,253.12	-17.84	-0.79%	4.16%



North America	Close	Chg	Chg %	MTD %
Dow Jones Industrials	17,024.21	-44.05	-0.26%	1.17%
S&P 500 Composite	1,977.65	-7.79	-0.39%	0.89%
NASDAQ Composite	4,451.53	-34.39	-0.77%	0.98%



Europe	Close	Chg	Chg %	MTD %
Dax Index	9,906.07	-103.01	-1.03%	0.74%
CAC 40	4,405.76	-63.22	-1.41%	-0.39%
FTSE 100	6,823.51	-42.54	-0.62%	1.18%
Stoxx Euro 600	344.80	-3.15	-0.91%	0.86%

Asia	Close	Chg	Chg %	MTD %
Nikkei 225	15,379.44	-57.69	-0.37%	1.43%
KOSPI	2,005.12	-4.54	-0.23%	0.15%
Hang Seng	23,540.92	-5.44	-0.02%	1.51%
Shanghai Stock Index	2,059.93	0.55	0.03%	0.57%
BSE Sensex 30	26,100.08	138.02	0.53%	2.70%

Source: Bloomberg



## Most Recent eQR Reports (by date)

08 July 2014

### Company Research Summaries

**8/7/2014 – Aristocrat Leisure Limited (ALL):** ALL announced that it intends to buy 100% of privately owned Video Gaming Technologies, Inc. (VGT), which develops and manufactures bingo based gaming platform and skill-based gaming systems for Native American casinos, for a total consideration of US\$1.283 billion. The deal is bigger than expected, with gearing to rise to above 3.0x in FY15. We aren't particularly worried about the gearing level so long as there is a path to paying down the debt. Overall, we are positively disposed to the acquisition of VGT based primarily on the strong earnings per share accretion being generated by the deal and the complementary nature of the businesses.

**8/7/2014 – Wotif.com Holdings (WTF):** Expedia (NASDAQ: EXPE) has proposed to acquire 100% of the fully diluted shares in WTF through a Scheme of Arrangement. The deal values WTF at A\$703.1m or A\$3.30 per share which comprises A\$3.06 cash per share plus a A\$0.24 special dividend. We believe this is a good price given the structural challenges faced by WTF including declining market share and the compression of margins.

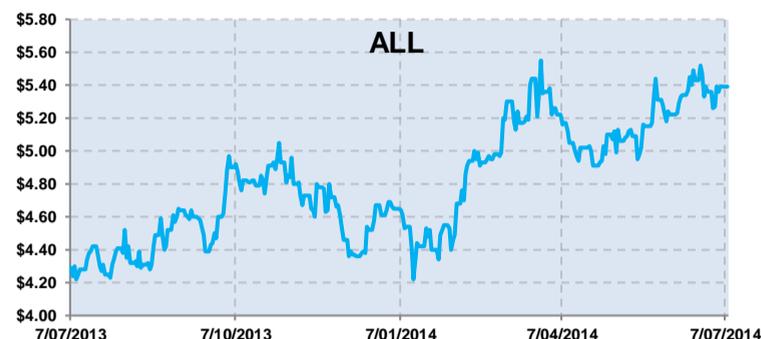
**8/7/2014 – DEXUS Property Group (DXS):** The Australian reported that Woodside (WPL) have signed a Memorandum of Understanding (MOU) with Malaysian developer AAIG to pre-commit to Capital Square, a new development at 98 Mounts Bay Road in Perth. Should a binding agreement be reached, it is likely to result in Woodside fully vacating their existing 40,000sqm tenancy at 240 St Georges Terrace, 100% owned by DXS. Woodside's relocation would effectively result in an entire building becoming available for lease maturing in Nov-18. Based on the reported passing yield, we estimate that 240 St Georges Terrace represents ~8% of DXS's earnings, and is the second largest on-balance-sheet asset, which highlights the materiality of this outcome.

**8/7/2014 – Healthscope Limited (HSP):** Last week, HSP and its private equity owners announced their plan to raise as much as A\$2.57billion in an initial public offering (IPO). Due to our favourable outlook on the health care sector, growth optionality of the company and appealing valuation metrics, we support participation in primary offer based on the pro-forma financial metrics disclosed within the prospectus. In valuing HSP, we have taken an equally weighted blend of our estimate of the company's discounted cash flow and relative price to earnings multiples. On this basis, our fair valuation range for HSP falls between \$2.04 and \$2.88.

Note: Additional reports may be published by eQR that are not summarised above.

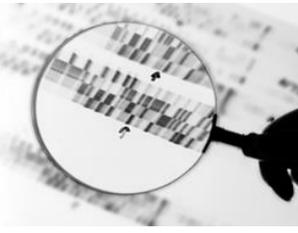
### Price Charts

as at 08/07/14 08:21



### Company Events

Date	Company	Event
8-Jul-14	N/A	N/A



# Macro Updates

08 July 2014

Domestic Releases	Period	Survey	Prior
NAB Business Confidence	JUN	--	6.90

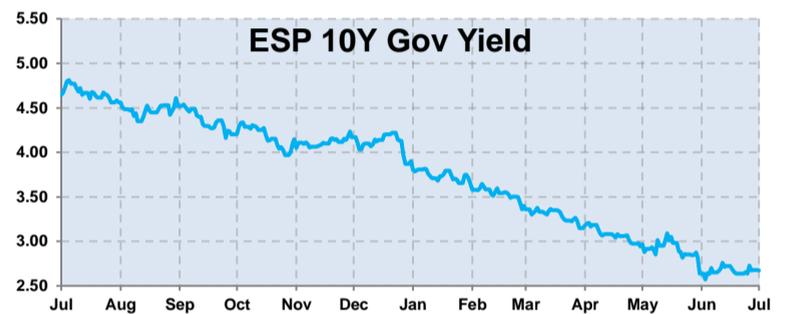
International Releases	Period	Survey	Prior
NFIB Survey	JUN	97.00	96.60
JOLTS	MAY	--	--
Consumer Credit	MAY	20.00	26.85

## Period Charts as at 08/07/14 08:21

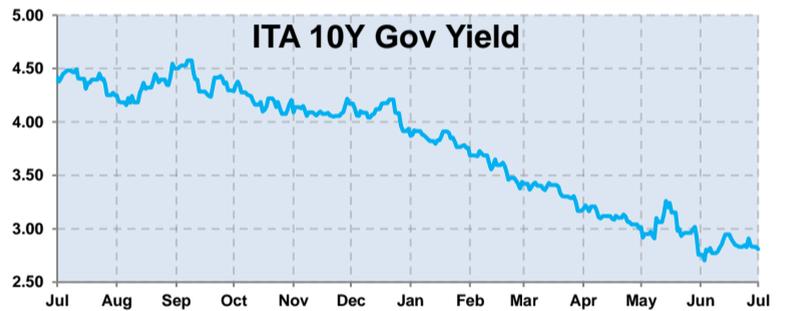


Source: Bloomberg

## Period Charts as at 08/07/14 08:21



Source: Bloomberg



Source: Bloomberg

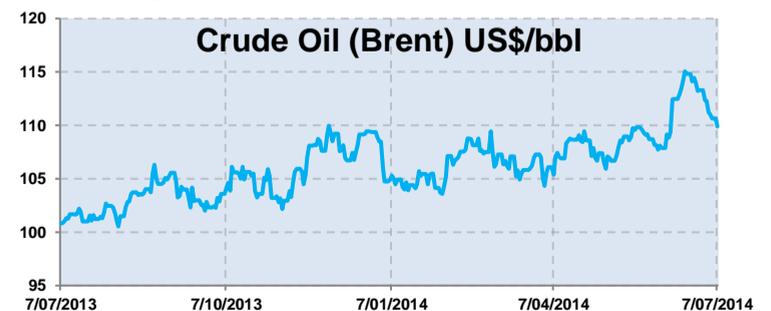
# Commodity Prices

	Close	1 Day	MTD	3 mths	1 Yr
Gold	1,320.08	-0.05%	-0.56%	0.86%	7.91%
Crude Oil	109.90	-0.55%	-2.07%	2.76%	9.16%
Copper	7,161.00	0.00%	1.70%	7.36%	5.58%
Silver	21.06	-0.57%	0.08%	5.03%	11.30%
Nickel	19,323.50	0.00%	1.87%	17.79%	46.04%
Iron Ore	95.90	-0.62%	2.24%	-18.87%	-21.78%

## Price Charts as at 08/07/14 08:21



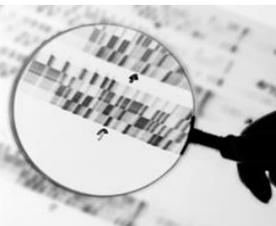
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



## Leading Indices

08 July 2014

Australian Equity Indices		Close	1 Day	MTD	3 mths	1 Yr	3 Yrs	5 Yrs
	S&P/ASX 200	5,518.91	-0.11%	2.28%	2.00%	13.99%	5.84%	7.93%
	S&P/ASX Small Ords	2,188.40	-0.21%	2.68%	1.97%	7.57%	-6.13%	2.27%
	S&P/ASX 200 Industrials	8,495.03	-0.08%	1.93%	2.37%	13.65%	11.93%	10.54%
	S&P/ASX 200 Resources	4,209.20	-0.24%	3.70%	0.51%	15.30%	-9.72%	0.29%
	S&P/ASX 200 Property Trust	1,081.60	0.91%	1.12%	6.24%	3.48%	8.50%	8.20%
	Small Cap Industrials	2,308.18	-0.05%	2.29%	0.92%	7.61%	4.24%	7.62%
	Small Cap Resources	2,253.12	-0.79%	4.16%	6.24%	6.59%	-27.01%	-10.31%

International Equity Indices		Close	1 Day	MTD	3 mths	1 Yr	3 Yrs	5 Yrs
<b>North America</b>								
	Dow Jones Industrials	17,024.21	-0.26%	1.17%	4.72%	12.48%	10.38%	15.79%
	S&P 500 Composite	1,977.65	-0.39%	0.89%	6.79%	21.19%	13.75%	17.59%
	NASDAQ Composite	4,451.53	-0.77%	0.98%	8.23%	27.94%	15.89%	20.57%
<b>Asia</b>								
Japan	Nikkei 225	15,379.44	-0.37%	1.43%	5.29%	7.47%	14.90%	10.30%
Korea	KOSPI	2,005.12	-0.23%	0.15%	0.61%	9.37%	-2.75%	6.98%
Hong Kong	Hang Seng	23,540.92	-0.02%	1.51%	4.18%	12.88%	1.18%	5.84%
China	Shanghai Stock Price Index	2,059.93	0.03%	0.57%	-1.83%	2.63%	-9.70%	-7.73%
India	Bombay Stock ex-500 Index	10,023.56	0.36%	2.37%	20.59%	39.04%	11.04%	13.98%
<b>Europe</b>								
Germany	Dax Index	9,906.07	-1.03%	0.74%	4.38%	26.90%	10.20%	16.72%
France	CAC 40	4,405.76	-1.41%	-0.39%	-0.43%	17.37%	4.03%	7.92%
UK	FTSE 100	6,823.51	-0.62%	1.18%	3.53%	7.03%	4.44%	10.51%
Euro	DJ Euro Stoxx 50	3,230.92	-1.21%	0.08%	1.68%	24.46%	5.01%	7.11%
<b>Global</b>								
	MSCI World (Local currency)	1,252.02	0.00%	1.37%	5.98%	18.94%	10.71%	13.32%
	MSCI Emerging Markets	1,062.40	0.00%	1.11%	5.03%	15.78%	-3.00%	7.52%

Bond Yields		Close	1 Day	MTD	3 mths	1 Yr
<b>2 Years</b>						
	Australia	2.54	1 bps	1 bps	-27 bps	-7 bps
	United States	0.51	1 bps	6 bps	12 bps	12 bps
	United Kingdom	0.89	-2 bps	2 bps	23 bps	48 bps
	Japan	0.07	0 bps	0 bps	-1 bps	-7 bps
	Germany	0.06	0 bps	0 bps	-9 bps	-12 bps
<b>5 Years</b>						
	Australia	2.95	1 bps	0 bps	-47 bps	-17 bps
	United States	1.73	0 bps	10 bps	6 bps	12 bps
	United Kingdom	2.10	-2 bps	7 bps	19 bps	66 bps
	Japan	0.16	-1 bps	-1 bps	-3 bps	-16 bps
	Germany	0.33	0 bps	-12 bps	-33 bps	-30 bps
<b>10 Years</b>						
	Australia	3.59	0 bps	5 bps	-50 bps	-23 bps
	United States	2.61	-3 bps	8 bps	-7 bps	-13 bps
	United Kingdom	2.73	-3 bps	6 bps	3 bps	24 bps
	Japan	0.57	0 bps	0 bps	-5 bps	-29 bps
	Germany	1.39	0 bps	0 bps	-19 bps	-16 bps

Interest Rates		Close	1 Day	MTD	3 mths	1 Yr
	Aust 3 Month Bank Bills	2.67	-1 bps	-2 bps	-3 bps	-17 bps
	US 3 Month Treasury Bills	0.08	1 bps	-1 bps	-2 bps	-3 bps
	JPY CD Rate	0.21	0 bps	0 bps	0 bps	0 bps

Exchange Rates		Close	1 Day	MTD	3 mths	1 Yr
Domestic X Rates	AUD/USD	0.937	0.09%	-0.64%	0.14%	3.37%
	AUD/GBP	0.55	0.27%	-0.76%	-2.10%	-10.13%
	AUD/EUR	0.69	0.00%	0.00%	1.55%	-2.52%
	AUD/JPY	95.47	-0.11%	-0.11%	0.18%	4.06%

Source: Bloomberg



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**Dated: 19 November 2010**

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- How eQR securities and its staff are remunerated
- How eQR securities deals with your complaints; and
- Our conflicts of interest management policy.

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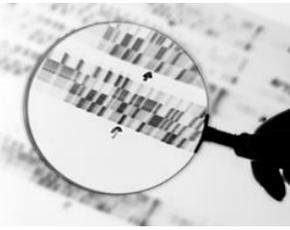
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