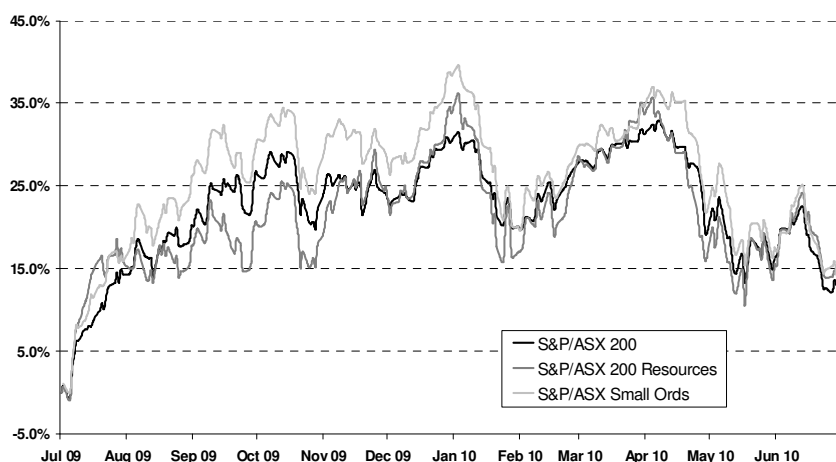


Thursday, 8 July 2010

## Market Overview

- ✓ US stocks rallied broadly on Wednesday in the third-biggest one-day gain of the year, pushing the Dow Jones Industrial Average back above the key 10,000 level. Financial stocks, including JP Morgan Chase and Bank of America, led the climb, boosted by a rosy earnings forecast from State Street and as details on euro-zone bank stress tests removed some uncertainty.
- ✓ A rally in banking shares, powered by the hope that impending bank stress test results may not be as bad as feared, helped European stocks turn higher on Wednesday.
- ✓ Also lifting financials, Europe's banking supervisor named the 91 banks that it will test for resilience to further market and credit risks and laid out the key features included in the tests. The banks are being tested individually but following a common set of criteria. The results will be made public July 23. Investors found it encouraging to learn more of the details about the test, as uncertainty about it had been weighing on financial stocks in Europe as well as in the US.
- ✓ Base metals on the London Metal Exchange bounced back from early losses to end higher, tracking a recovery in the euro and gains in US equity markets.
- ✓ Australian construction activity contracted for the first time in four months in June, weighed down by tight credit conditions and subdued demand.
- ✓ The Australian Industry Group/Housing Industry Association Performance of Construction Index was at 46.4 in June, down 6.8 points from May, falling below the 50-point level indicating a contraction in activity for the first time since February.
- ✓ House building and apartment building activity experienced particularly weak conditions, with both sub-indexes indicating a contraction. Still, engineering construction was back in positive territory in June and commercial construction also strengthened.



## Market Indices

Index	Close	Change	%
All Ord	4,277.8	-21.92	-0.51
S&P/ASX200	4,254.6	-21.52	-0.50
Dow Jones	10,018.3	274.66	2.82
S&P 500	1,060.3	32.21	3.13
NASDAQ	2,159.5	65.59	3.13
FTSE 100	5,014.8	49.82	1.00
Nikki 225	9,279.7	-58.39	-0.63
Shanghai	2,421.1	11.69	0.49
MSCI World	1,051.6	17.86	1.73

## Commodities

Units/\$US	Latest	Change	%
Gold	1,202.10	-0.48	-0.04
Aluminium	1,954.5	8.5	0.44
Copper	6,545.0	22.0	0.34
Nickel	18,990.0	135.0	0.72
Lead	1,756.0	1.0	0.06
Zinc	1,810.0	-4.0	-0.22
Oil	74.69	2.70	3.75

## Currency and Fixed Interest

Name	Latest	Change	%
\$US/\$A	0.863	-0.001	-0.13
¥/\$A	75.795	0.000	0.00
€/ \$A	0.684	0.000	-0.01
\$NZ/\$A	1.229	0.000	0.00
10 Year Bond	5.09%	0.059	1.17
90 Day Bill	4.85%	0.000	0.00

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**INTERNATIONAL OVERNIGHT NEWS**

US stocks rallied broadly on Wednesday in the third-biggest one-day gain of the year, pushing the Dow Jones Industrial Average back above the key 10,000 level. Financial stocks, including JP Morgan Chase and Bank of America, led the climb, boosted by a rosy earnings forecast from State Street and as details on euro-zone bank stress tests removed some uncertainty.

The Dow climbed 274.66 points (2.82%) to 10,018.28, its biggest one-day gain since May 27 and highest close since June 28. The measure is now up 2.5% for the month but still down 3.93% for the year.

All 30 of the measure's components rose. Cisco Systems was the measure's top performer with a jump of \$1.14 (5.3%) to \$22.48.

The Dow's financial components were also strong, with JP Morgan up \$1.82 (5%) to \$38.15, and Bank of America up 65 cents (4.6%) to \$14.71. The sector was boosted by a projection from money-manager State Street for second-quarter profit well above analysts' forecasts. State Street, which isn't a Dow component, leapt \$3.29 (9.9%) to \$36.63.

Also lifting financials, Europe's banking supervisor named the 91 banks that it will test for resilience to further market and credit risks and laid out the key features included in the tests. The banks are being tested individually but following a common set of criteria. The results will be made public July 23. Investors found it encouraging to learn more of the details about the test, as uncertainty about it had been weighing on financial stocks in Europe as well as in the US.

The Nasdaq Composite rose 65.59 (3.13%) to 2,159.47. The Standard & Poor's 500 index climbed 32.21 (3.13%) to 1,060.27. All of the measure's categories rose, led by the financial sector, which leapt more than 4%.

Family Dollar Stores tumbled \$3.18 (8.1%) to \$36.26. The discount retailer's fiscal third-quarter earnings increased 19% on higher sales and margins, but it gave sombre indications that its customers are being overwhelmed by the country's lingering economic weakness and forecast fiscal fourth-quarter earnings below analysts' estimates. The results weighed on other discounters, including Dollar Tree, which slid \$1.32 (3.1%) to \$41.61.

American depository shares of BP rose \$1.28 (4%) to \$33.19. Chief Executive Tony Hayward met with Abu Dhabi's powerful Crown Prince Mohammed bin Zayed Al Nahyan during a visit to the oil-rich sheikhdom, and said that he would be happy to see the city-state's sovereign wealth fund buy a stake of up to 10% in BP, a person with knowledge of the meeting said.

Cree rose \$5.11 (8.4%) to \$66.07, and American depository shares of Philips Electronics NV edged up 90 cents (2.9%) to \$31.55, after the companies said they have signed a patent cross-license agreement as part of a joint effort to accelerate the growth of light-emitting diodes.

EMC Corp. rose 95 cents (5.2%) to \$19.11, after the global storage leader said it agreed to acquire Greenplum Inc., a

privately held data-warehousing company that specialises in analysing large amounts of information. The acquisition will give EMC, which also has majority ownership in virtualisation-leader VMware, a foothold in a fast-growing market for large data warehouses. VMware added \$4.88 (7.5%) to \$69.69.

New Gold shed 67 cents (12%) to \$5.13, after the Canada-based miner said a district court in Mexico denied the company's appeal over the cancelled environmental impact statement at its Cerro San Pedro Mine. New Gold said it hasn't received the full court decision, but plans to appeal following a full review of the documents.

**US Economic News**

The 10-year Treasury note yield was 2.98% and the five year yield was 1.78%.

**European and Asian Markets**

A rally in banking shares, powered by the hope that impending bank stress test results may not be as bad as feared, helped European stocks turn higher on Wednesday.

The Stoxx Europe 600 index rose 1.4% to 246.06.

Reports on Wednesday suggested the criteria used to measure European banks' health might be more generous than originally feared. Stress tests assume a 17% hit on the value of Greek government bonds they hold, according to two reports.

Notable financial-sector gainers included lenders with significant exposure to so-called peripheral European countries. Societe Generale shares rose 7% and Spain's Santander gained 6.5%.

As for the major regional benchmarks, the French CAC-40 index added 1.8% to 3,483.44, the German DAX index gained 0.9% to 5,992.86 and the UK's FTSE 100 index closed up 1% at 5,014.82.

Shares of Marks & Spencer lost 2.6%, as the UK department-store operator said it remains cautious over the outlook for consumer spending. It reported a 3.6% rise in first-quarter UK comparable sales.

Losses were steeper for CRH. The Irish building materials group lost 5.8% after it pegged first-half pretax profit at close to break-even, compared with a profit of EUR100m in the year-ago period. CRH also said business conditions are getting more difficult, with concerns over deficits clouding the euro-zone outlook and recent US economic data pointing to a "softening" of the recovery.

Speculation of interest from the Middle East also helped supermarket group J. Sainsbury gain on Wednesday. The firm's shares rallied 4.9% to 344 pence as talk resurfaced that it could get a bid from minority shareholder Qatar Investment Authority. Sainsbury said it doesn't comment on rumour and speculation.

Asian stocks largely declined after weak US data refuelled worries about the strength of the global economic recovery while technology shares across the region fell, unimpressed by Samsung Electronics' forecast of a record operating profit.

Japan's Nikkei Stock Average fell 0.6%. China's Shanghai Composite Index ended 0.5% higher after enduring a choppy trading session, as gains in consumer and cement stocks offset broad declines in banks. Hong Kong's Hang Seng Index dropped 1.1%.

New Zealand shares ended higher after Wall Street closed in positive territory although they pared earlier gains as US futures eased and many Asian markets moved into the red.

### Commodities

Base metals on the London Metal Exchange bounced back from early losses to end higher, tracking a recovery in the euro and gains in US equity markets.

Gold futures rose as the optimistic economic sentiment that boosted commodities and equities spread to precious metals.

Crude oil followed US equities higher, snapping a six-session streak of losses.

## AUSTRALIAN OVERNIGHT NEWS

### Australian Markets

Local shares are expected to rise following a strong result from Wall Street.

Ahead of the local open the September SPI futures were 85 points higher at 4,332.

### Companies in the News

#### National Australia Bank (NAB)

NAB said it continues to consider its options as it looks to secure approval from the competition regulator on its takeover bid for AXA Asia Pacific. The bank repeated its view that the acquisition is consistent with its strategic agenda to develop its wealth management business and improve shareholder returns. NAB dipped 31 cents (1.32%) to \$23.09.

#### Macquarie (MQG)

Macquarie has been linked to speculation of a new wave of forestry plantations swallowing up farming land in south-west Victoria, a newspaper has reported. Up to 5000 hectares near Hamilton are believed to be under offer for new forestry investment projects through Macquarie and other companies using schemes approved by the Tax Office. There is speculation some new plantations could be for carbon credit programs for international investors. MQG fell 81 cents (2.18%) to \$36.31.

#### Lend Lease (LLC)

Lend Lease is being touted as a potential buyer for the Valemus business, following the decision to withdraw the planned \$1.3bn float by the German parent Bilfinger Berger. Lend Lease's executives - some of whom left for a tour of the overseas businesses yesterday - have said they would look at the Valemus assets, but at a price lower than what had been suggested in the public float. Although Valemus executives said a trade sale was unlikely at this stage, Lend Lease chief executive Steve McCann said in May that the Valemus infrastructure and construction assets would be a good fit for his operations. Lend Lease has the cash, but

some of the funds would be used for when it kicks off the first stage of the billion-dollar-plus Barangaroo development in Sydney Harbour. LLC fell 13 cents (1.75%) to \$7.30.

#### Minara Resources (MRE)

Minara said it plans to return \$111m to shareholders after rising nickel prices helped boost cash reserves to \$363m. The company raised \$210m in a rights issue in late 2008 in the face of a gloomy global outlook, but said higher nickel and cobalt prices meant the company was generating positive cashflow. "The directors consider that the excess cash raised under Minara's rights issue in December 2008 is now in excess of its needs, accordingly the return of capital is being recommended to shareholders," Chief Executive Peter Johnston said. An extraordinary general meeting will be held on Aug. 17 to approve the return of 9.5 cents a share to shareholders. MRE firmed 5 cents (7.58%) to \$0.71.

#### Sigma Pharmaceuticals (SIP)

Sigma said that Aspen Pharmacare has made a formal takeover bid but lowered its offer to 55 cents a share. The revised bid, down from 60 cents a share, also came with a list of more than 10 conditions. Sigma said Aspen was continuing due diligence following the offer, which reduces the suitor's valuation of the company to \$648m from \$707m. "The Sigma board is considering the proposal and recommends that shareholders take no action at this stage," it said. Aspen's new bid came with a shopping list of conditions, including a conditional break fee, no material decline in Sigma's position and continuation of the company's existing major contracts and credit arrangements. It also demanded Sigma extend exclusive due diligence to Aug. 2 and agree not to seek out rival bids. SIP rose 6 cents (13.92%) to \$0.45.

### Australian Economic News

#### Construction Activity Weakens

Construction activity contracted for the first time in four months in June, weighed down by tight credit conditions and subdued demand, according to a survey of the sector. The Australian Industry Group/Housing Industry Association Performance of Construction Index was at 46.4 in June,

down 6.8 points from May, falling below the 50-point level indicating a contraction in activity for the first time since February. House building and apartment building activity experienced particularly weak conditions, with both sub-

indexes indicating a contraction. Still, engineering construction was back in positive territory in June and commercial construction also strengthened.



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