

Overseas

The **Dow Jones** rose 25 pts or 0.23% to 11,117.06 (YTD 6.56%), **S&P 500** rose 9 pts or 0.81% to 1,207.17 (YTD 8.17%) and the **NASDAQ** rose 20 pts or 0.81% to 2,500.31 (YTD 10.11%)

The **FTSE** rose 55 pts or 0.97% to 5,783.69 (YTD 6.81%), **Nikkei** fell 8 pts or 0.07% to 10,900.68 (YTD 3.46%) and the **Hang Seng** rose 218 pts or 1.02% to 21,623.38 (YTD - 1.11%)

Oil rose \$0.89 to \$84.00 a barrel.

Gold rose \$3.30 to \$1,139.10 an ounce.

Base metals were generally stronger with Copper up 1.2% to \$352.00, Nickel rose 2.20% to \$1,235.00, Zinc was up 2.5% to \$110.00 and Aluminium rose by 0.7% to \$107.00.

BHP ADR's trading at \$42.58 vs the Aussie close of \$42.80.

SPI 200 Futures closed up 44 pts at 4,973.

Ideas

U.S. moved higher for a second day as rising oil boosted energy stocks and positive results from companies including Harley-Davidson Inc. and Coach Inc. lifted confidence that consumers are spending. Despite rising regulatory and litigation concerns plus strong outperformance ytd Financials stocks also posted strong gains as investors reacted to the earnings reports from Goldman Sachs. The financials continued higher with Goldman reporting a near-doubling of its earnings, which added to a string of strong performances from Citigroup, JPMorganChase, and Bank of America. But the blow-out numbers may ensure the saga surrounding the sector is likely to stay on the front page. Goldman Sachs JBWere said buying in the broader market was impressive as stocks climbed for the 8th time in 9 sessions and the Volatility Index dropped by 9.3%. The VIX is now just 3% above the multiyear low that it hit last week. Investors are focusing on the "so far so good" earnings season. Companies continue to surprise on the upside which has been the catalyst for the recent rally across all the indexes.

Looking at the Asian LNG market JP Morgan (JPM) states that they are relatively bearish on the outlook. They see a race to capture remaining demand in the 2015 timeframe, with the losers suffering project deferrals. JPM said GLNG, APLNG, Wheatstone, and Ichthys as best placed to secure customers in the next 6 months. Deals struck by PetroChina and Tokyo Gas for CSG LNG projects have legitimised the concept and they believe that more deals will follow in the space. JPM said they don't think Browse and Sunrise are at a mature enough stage currently to secure HOAs and timely exploration success is required for Pluto-2 to meet its target FID date at end CY10. Recent rhetoric from East Timor indicates that the stalemate regarding the location of the downstream element of the Sunrise project is no closer to being resolved. JPM's recommendations across the large cap oil plays favour companies with relatively mature projects. On this basis their sector preference is Santos which offers the most meaningful upside via its GLNG project. They think that Santos largely has a single train project ready to approve. The only concern they have is whether the market will be satisfied with a single train approval with a look through to a second train approval in 1H11. JPM are also overweight OSH as a low risk exposure to the Asian LNG market with upside from a third train. They are Neutral Woodside as they think that the current

share price contains a fair premium over and above their DCF valuation inclusive of Pluto-2 to account for the option value associated with the Browse and Sunrise resources.

With the upcoming Bank reporting season looming UBS said they expect strong results but ask is good going to be enough. UBS said they expect a strong 1H10 reporting season from the Majors with Sector EPS growth of 23% sequential & ROE back to 16%. Results should be assisted by BDD normalisation, down -21bp (to 57bp) & solid core earnings growth of 7% seq. UBS said:

1Q10 Trading updates showed a sharp fall in BDD charges to 52bp, driven by institutional recoveries. This led us to bring forward our BDD normalisation. However our 2Q10 BDD forecast still incorporates 62bp, given volatility in Insto losses & some middle markets & consumer arrears. We see some risk of lower charges. Margins could disappoint as repricing comes to an abrupt end & funding pressures remain. Trading is hard to predict but could be stronger for longer.

Bank-by-bank. Risks lie to the upside but enough to please the market?

ANZ (Apr-29): Institutional recovery & Asian rollout will be a highlight. Aust & NZ retail/SME pressure remains. BDD could surprise on the low-side.

WBC (May-5): Revenue could surprise given 3 months of mortgage re-pricing. Can BDD be maintained at 1Q levels of 36bp? We expect 53bp in 2Q (45bp 1H10)

NAB: (May-6): Rev headwinds may constrain earnings. BDD?

CBA 3Q10 update (May-12): Expect strong core earnings & ROE back to c20%.

Banks: Structurally attractive but no longer cheap at 2.2x FY10E book

Banks remain highly leveraged to an economic recovery. Key drivers: (1) Earnings risk on the upside. (2) Regulatory risk appears less of a hurdle. (3) Industry structure. Risks: (1) Funding restricts loan growth. (2) Political re-pricing risk.

Research

AXA Asia Pacific Holdings Limited (\$6.13) – Following the release of their quarterly fund flow and new business data for 1Q10, JP Morgan, GSJB Were and Citigroup have retained their HOLD whilst Credit Suisse maintains a SELL. JP Morgan has a price target of \$6.90.

Nufarm Limited (\$7.75) – as NUF has announced that it will undertake a \$250mn equity raising, GSJB Were has retained a HOLD whilst Deutsche, Macquarie, Credit Suisse and JP Morgan have all maintained a SELL. GSJB Were has a price target of \$9.00.

Harvey Norman Holdings Limited (\$3.38) – With weak 3Q10 sales reported, UBS and Credit Suisse have maintained a BUY whilst Citigroup has **upgraded** to a BUY. Macquarie have **upgraded** to a HOLD whilst Deutsche, GSJB Were and JP Morgan have retained their HOLD. Credit Suisse has a price target of \$4.90.

Fortescue Metals Group Limited (\$5.16) – Following their reports of quarterly production for 3Q2010, Citigroup, Credit Suisse, UBS and RBS has retained a BUY whilst GSJB

Were, Macquarie, JP Morgan and Deutsche have maintained a HOLD. RBS has a price target of \$7.31.

Wotif.com Holdings Limited (\$6.82) – With weaker domestic travel volumes than originally predicted, Deutsche has maintained a BUY whilst Credit Suisse, UBS, JP Morgan, Macquarie and RBS have all retained a HOLD. Deutsche has a price target of \$8.10.

Western Areas NL (\$5.36) – Following their quarterly report for 3QFY10, Credit Suisse, UBS, GSJB Were and Deutsche have all retained a HOLD. Credit Suisse has a price target of \$6.00.

Technology One Limited (\$0.83) – With expectations of a positive outlook statement, RBS has **upgraded** to a BUY with a price target of \$0.98.