

The Coppo Report

BELL POTTER

Thursday 31st March, 2016

4.25 PM

Richard Coppleson
Bell Potter Securities Ltd
ABN 25 006 390 7721
AFSL 243480

The Coppo Report is Bell Potter's new daily afternoon market report by Richard Coppleson.

It will be released from Monday to Thursday after market close exclusively to The Coppo Report subscribers, but for the next few weeks we'll be distributing the report free of cost.

Head to <http://copporeport.bellpotter.com.au/> for more information.

This communication has been prepared by the Institutional Sales and Trading Desk and is not the product of the Research Department. It is not, and is not intended to be, a research report.

MAJOR MARKET DATA

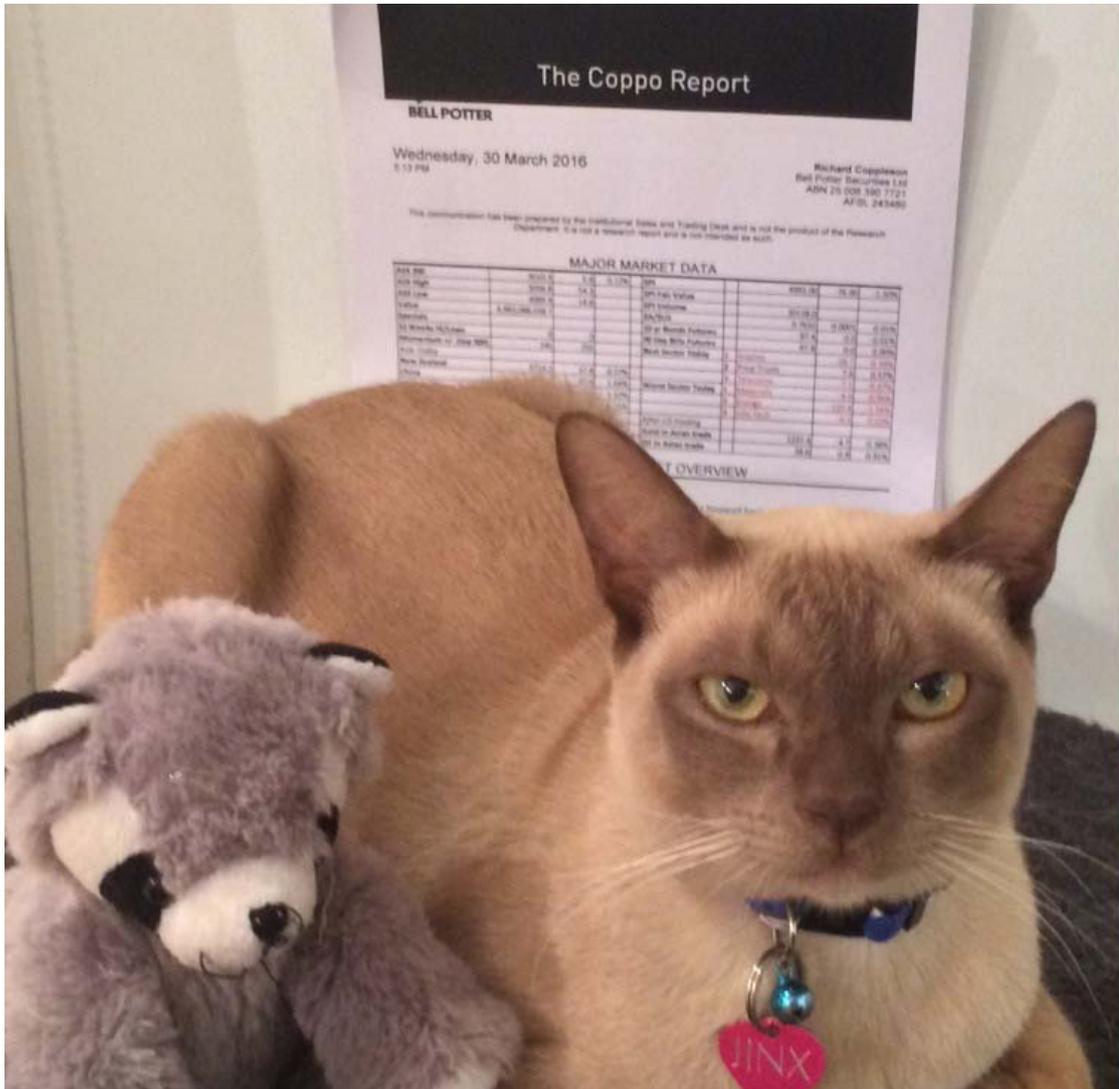
ASX 200	5082.8	72.5	1.45%	SPI		5065	74	1.48%
ASX High	5098.2	87.9		SPI Fair Value		-13		
ASX Low	5024.2	13.9		SPI Volume		28823		
Value	\$5.15 Bn			\$A/\$US		0.7652	-0.0018	-0.24%
Specials				10 yr Bonds Futures		97.51	0.08	0.08%
52 Weeks Hi/Lows	14 Hi	7 Low		90 Day Bills Futures		97.79	0.04	0.04%
Momentum (Top 500)	403 Up	97 Down		Best Sector Today	1	Telecoms		2.02%
Asia Today					2	Discretion		2.00%
New Zealand	6752	38	0.57%		3	Fin Prop Trusts		1.94%
China	3012	11	0.38%	Worst Sector Today	1	Utilities		0.76%
Hong Kong	20739	-60	-0.29%		2	Prop Trusts		0.85%
Japan	16894	4	0.02%		3	Staples		0.93%
After US trading				After US trading				
Dow Futures	17606	-16	-0.09%	Gold in Asian trade		1228.0	3.08	0.25%
S&P 500 Futures	2053	-2.0	-0.10%	Oil in Asian trade		37.8	-0.53	-1.38%

The Coppo Report

BELL POTTER

Given (my cat) **Jinx** has predicted more cockroaches in the ANZ closet, I had a request from a well known Sydney Fund Manager – I won't say he's name – but I'll just refer to him as "CK" - for a photo of the cat, that is calling for more ANZ downgrades.

(Here he is posing with one of his favourite fluffies that he loves to wrestle and beat up – I think I'll have to call it ANZ from now on).



Source Coppo's kitchen

AUSTRALIAN MARKET OVERVIEW

1. The ASX 200 had its best 1 day rally in 20 trading sessions, as it bounced +1.45% on the last day of the month & last day of the QTR.
2. The market was better across the board with about \$8.9 billion of dividends hitting investor's banks this week, as mentioned yesterday we saw \$1.2 billion on Tuesday & Wednesday with \$4.8 Billion coming today and another \$2.9 billion tomorrow. So some of that cash made its way back into the market today. Also a better US market helped.
3. All sectors were up in across the board buying, with Consumer Discretionary 1.9% & Financials (+1.75% were the stand outs..
4. Value was low (for such a big day) at just \$5.1b as the markets await big data out of Japan, China & the US tomorrow..
5. For the month the ASX 200 was up +4% its best monthly rise in 6 months

Date	ASX 200	% Move
31-Mar-16	5078	4.03
29-Feb-16	4881	-2.49
31-Jan-16	5006	-5.48
31-Dec-15	5296	2.50
30-Nov-15	5167	-1.39
31-Oct-15	5239	4.34
30-Sep-15	5022	-3.56
31-Aug-15	5207	-8.64
31-Jul-15	5699	4.40
30-Jun-15	5459	-5.51
31-May-15	5777	-0.22
30-Apr-15	5790	-1.72
31-Mar-15	5892	-0.63

6. For the QTR the ASX 200 was **down -4%** making it the **3rd QTR in 4 that it has fallen** – you have to go back to the GFC (2008 to get as many negative QTR's so close

QTLY Moves in ASX 200 since 2007

Date	Close	% Move
31-Mar-16	5077	-4.14
31-Dec-15	5296	5.46
30-Sep-15	5022	-8.01
30-Jun-15	5459	-7.34
31-Mar-15	5892	8.88
31-Dec-14	5411	2.23
30-Sep-14	5293	-1.91
30-Jun-14	5396	0.02
31-Mar-14	5395	0.80
31-Dec-13	5352	2.55
30-Sep-13	5219	8.67
30-Jun-13	4803	-3.30
31-Mar-13	4966	6.83
31-Dec-12	4649	5.97
30-Sep-12	4387	7.14
30-Jun-12	4095	-5.55
31-Mar-12	4335	6.87
31-Dec-11	4057	1.20
30-Sep-11	4009	-13.01
30-Jun-11	4608	-4.75
31-Mar-11	4838	1.95
31-Dec-10	4745	3.54
30-Sep-10	4583	6.54
30-Jun-10	4302	-11.77
31-Mar-10	4876	0.10
31-Dec-09	4871	2.68
30-Sep-09	4744	19.94
30-Jun-09	3955	10.41
31-Mar-09	3582	-3.77
31-Dec-08	3722	-19.09
30-Sep-08	4601	-11.79
30-Jun-08	5215	-2.62
31-Mar-08	5356	-15.52
31-Dec-07	6340	-3.47
30-Sep-07	6568	4.67
30-Jun-07	6275	4.67
31-Mar-07	5995	5.74

The Coppo Report

BELL POTTER

7. Exactly 1 year ago BHP shareholders were very happy – their share price had just closed at \$28 and even though the share price had slipped from \$30.50 earlier in the month - **shareholders that day looked in their bank accounts** and they were so happy they took the family to the local Chinese restaurant to celebrate. BHP had that day paid out a **dividend of 80.8c** and **shareholders in total received a whopping \$2.59 billion in cash.** That dividend of **\$2.8 billion** was also the 3rd biggest dividend paid out.
8. But today was a different day – the Chinese restaurant won't be seeing their regular intake tonight – things have changed (at least the banks are still paying the same!!)
9. BHP today paid a dividend of just 22.3c or **\$716m** back to the market – a **drop of 76%** the biggest I could see going back 20 years to 1986.
10. But some good news !!! After the worst previous drop in April 1989 where they cut the dividend by 45% from 6.2c to 3.6c , it was steady the following dividend & then a year later the doubled it back to 7c.. So all is not lost..

History of BHP dividends in the last 20 years

Ex Div Date	Div Amnt	Adj Amnt	% change in BHP's dividend
10-Mar-16	21.37	21.3675	-76%
9-Sep-15	87.78	87.7814	9%
11-Mar-15	80.82	80.8239	22%
3-Sep-14	66.20	66.1994	2%
3-Mar-14	64.72	64.7236	1%
2-Sep-13	64.38	64.3789	16%
4-Mar-13	55.57	55.567	1%
3-Sep-12	55.08	55.0834	8%
27-Feb-12	51.07	51.0717	-2%
5-Sep-11	52.01	52.0095	13%
7-Mar-11	45.94	45.9359	-6%
6-Sep-10	48.65	48.6494	5%
1-Mar-10	46.47	46.4707	-5%
31-Aug-09	48.68	48.6849	-25%
23-Feb-09	64.95	64.9505	38%
1-Sep-08	46.90	46.9022	47%
25-Feb-08	31.94	31.9376	-5%
10-Sep-07	33.63	33.6303	30%
26-Feb-07	25.81	25.8114	6%
4-Sep-06	24.24	24.2385	2%
27-Feb-06	23.72	23.7231	24%
5-Sep-05	19.20	19.2037	12%
28-Feb-05	17.15	17.1523	30%
30-Aug-04	13.23	13.2333	17%
8-Apr-04	11.34	11.3376	-1%
10-Nov-03	11.41	11.41	-4%
6-Jun-03	11.88	11.88	-5%

The Coppo Report

BELL POTTER

11-Nov-02	12.52	12.52	11%
3-Jun-02	11.96	11.3273	-7%
12-Nov-01	12.80	12.1229	2%
4-Jun-01	26.00	11.9232	4%
13-Nov-00	25.00	11.4646	0%
5-Jun-00	26.00	11.4976	4%
29-Oct-99	25.00	11.0554	-4%
10-May-99	26.00	11.4976	4%
28-Oct-98	25.00	11.0554	-4%
7-May-98	26.00	11.4976	4%
29-Oct-97	25.00	11.0554	-4%
8-May-97	26.00	11.4976	4%
30-Oct-96	25.00	11.0554	-4%
9-May-96	26.00	11.4976	4%
1-Nov-95	25.00	11.0554	-4%
11-May-95	26.00	11.4976	19%
3-Nov-94	24.00	9.6484	4%
5-May-94	23.00	9.2464	10%
27-Oct-93	21.00	8.4424	0%
6-May-93	21.00	8.4424	8%
28-Oct-92	19.50	7.8393	-7%
7-May-92	21.00	8.4424	8%
4-Nov-91	19.50	7.8393	-7%
13-May-91	21.00	8.4424	8%
5-Nov-90	19.50	7.8393	3%
14-May-90	19.00	7.6383	9%
6-Nov-89	17.50	7.0353	94%
9-Jun-89	9.00	3.6182	0%
24-Apr-89	9.00	3.6182	-42%
31-Oct-88	17.00	6.2131	0%
22-Apr-88	17.00	6.2131	13%
26-Oct-87	15.00	5.4821	-25%

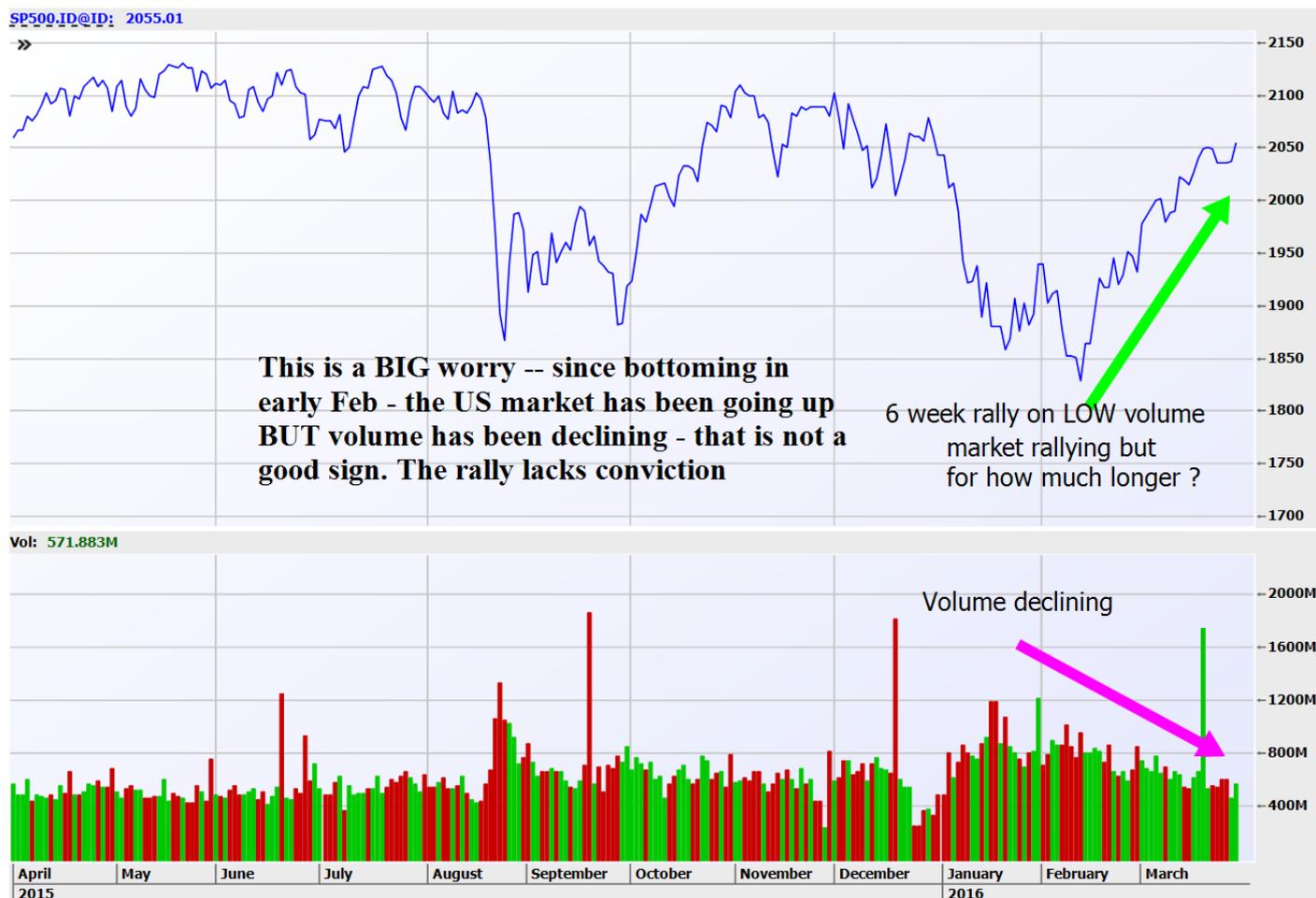
11. The markets are in a tough & volatile world right now & that will remain through the next 6 months. With volatility comes **fear & with fear comes more fear** (the great US President – FDR – or for any youngsters - Franklin D. Roosevelt - used the phrase “**we have nothing to fear but fear itself**” in the inaugural address in 1933) and how true it is.
12. So if the markets get volatile again – which they will – then many investors will decide it’s safer to sell & go to the safety of the sidelines. So I’m of the view **that the rallies are to be sold into & not buying the dips** – not yet anyway. There are stocks that will hold up but the ASX 200 index itself – will probably remain under pressure if the US sells off.
13. Of the recent rallies in the US especially - there has **been one very concerning factor – it has lacked volume** – this is such a big thing & it’s worrying. The **rally in the US has come with not a lot of participation** - a **rally with volume is like building a house with bricks** – its solid & has good underlying support. But when

The Coppo Report

BELL POTTER

you see a *rally on thin volumes* – it's like *building a house on sticks* – when things turn it falls in a heap very quickly and without much resistance.

14. **The chart of SP500 & volume under** shows clearly that volume reaches its lowest point at market peaks, and conversely reaches its peaks at interim market bottoms. Volume should follow the trend and when it isn't it's time to be very cautious.



Source IRESS

US Growth slowing ??? *If so, there is reason to be concerned*

- **Markets are expecting the world to grow at around 3% in 2016**, the slowest number since the GFC – but it is at least expected to rebound back to 3.6% in 2017 – so that indicates the rebound may be only next year ... The US has a few concern - with GDP growth expected to fall from 2.4% last year to just 1.2% this year. This is concerning as its now been the longest streak ever of sub 3% GDP in the US !!!
- The **table shows it was last above 3% back in 2005**. One of the issues to watch is that **inventories** have built up strongly & will be a **big drag on US GDP** - as any increase in demand will be matched without having to increase production. Also the US will be hit with the **strong US\$ hurting** their exports, global growth slowing, concerns over Chinese growth specifically and business investment expected to be anaemic.
- So this is where some US recession fears will arise (MS the other day say 30% chance) – but economists have pointed out that the US Housing demand & US Consumer both remain solid & so that may be what will spur GDP back in the 2nd half.

The Coppo Report

BELL POTTER

- But since it is seen as the saviour – it will need to be watched very closely & any signs that the US **consumer or US housing are faltering** – then the US **market could take a big hit**. Also the markets will be watching US payrolls (and the unemployment rate) .. and as mentioned US EPS expectations that seems to be in constant downgrade mode..

US GDP Data sub 3% again – **never before** have they had sub 3% GDP for so long...

Year	Real annual GDP growth rate (%)
2016 (expected)	1.2
2015	2.4
2014	2.4
2013	1.5
2012	2.2
2011	1.6
2010	2.5
2009	-2.8
2008	-0.3
2007	1.8
2006	2.7
2005	3.3

US Payrolls come out tomorrow night mkt looking for 201,000 jobs. But it's worth doing a quick table of what the US market did in each month of US Payrolls. The first shows the actual number & the one below with the corresponding move in the S&P 500.



So markets will be watching the US GDP slowdown to see if it halts at 1.2% or keeps going.

The Coppo Report

BELL POTTER

The table below is one that I did because I thought it was interesting in the high correlation that's come about between the US Payroll numbers & the S&p500

What stands out

- **July 2015** US Payrolls had a **healthy +21% rise** from June = S&P 500 **up +2%** that month
- **August 2015** US Payrolls **fall -46%** from July = S&P 500 was **smashed -6.3%** that month
- **October 2015** US Payrolls **surge +98%** from Sept = S&P 500 was **soars 8.3%** - its best monthly rise in 4 years (since October 2011)
- **January 2016** US Payrolls **fall -37%** from December = S&P 500 was **smashed -5%** that month

Yes there were other factors that were also out there influencing markets but this is right up their most months as one the whole US market does focus on.

See the correlation over the last 8 months between big changes in USA Payrolls & the S&P 500

	July 2015	August	September	October	November	December	January 2016	February 2016
US Payrolls	277,000	150,000	149,000	295,000	280,000	271,000	172,000	242,000
Change on previous month	49000	-127000	-1000	146000	-15000	-9000	-99000	70000
Change as % from prev month	21%	-46%	-1%	98%	-5%	-3%	-37%	41%
S&P 500 Move for the month	2%	-6.30%	2.60%	8.30%	0.05%	-1.75%	-5%	-0.41%

	July 15	August	September	October	November	December	Jan 2016	Feb 2016	March
US Payrolls	277,000	150,000	149,000	295,000	280,000	271,000	172,000	242,000	??
Change on previous month	49000	-127000	-1000	146000	-15000	-9000	-99000	70000	
Change as % from prev month	21%	-46%	-1%	98%	-5%	-3%	-37%	41%	
S&P 500 Move for the month	2%	-6.30%	2.60%	8.30%	0.05%	-1.75%	-5%	-0.41%	

Here's an interesting chart – END of QTR in US

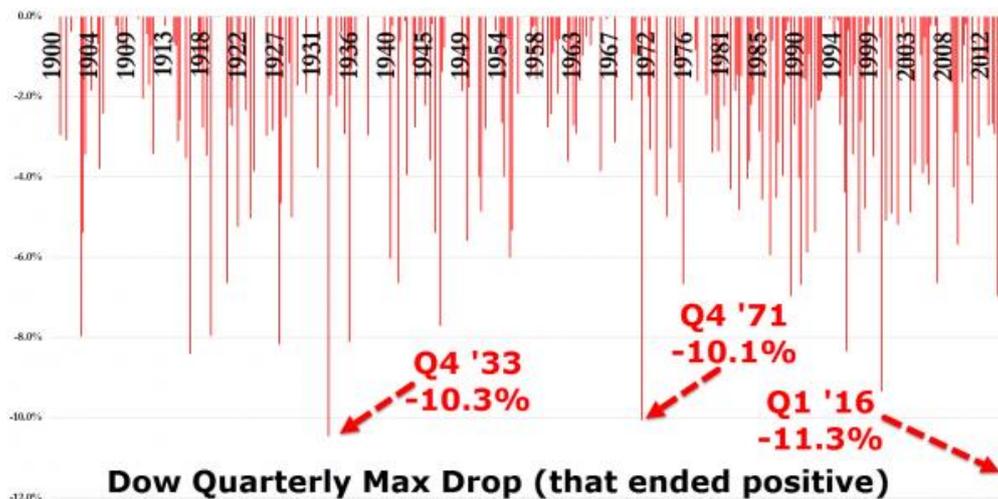
- It shows the Dow's **biggest falls EVER in a Quarter** **but** then had dramatic recoveries off its lows – to end the Quarter in the positive..
- In the US in **the 1st QTR 2016** we saw at its maximum low point, the Dow was **down -11.3%**, right now it's back to +1.67%
- The other big Qtly falls that saw a massive recovery were 4th Qtr 1933 where Dow was down -10.3% & the 4th Qtr 1971 where the Dow was down -10.1%
- Looking at the moves the Dow on the other 2 occasions bounced back the following QTR & then was lower 2 qtrs later

Biggest QRLY falls in the Dow Jones that then ended up.

The Coppo Report

BELL POTTER

Date	Dow at low point	Closed the QTR	The next QTR after the big fall	The 2nd QTR after big fall
4th Qtr 1933	-10.30%	4.70%	3.20%	-5.99%
4th Qtr 1971	-10.10%	0.35%	5.60%	-1.12%
1st Qtr 2016	-11.30%	+1.67% now	?	?



Source Zero Hedge

Banks

ANZ {23.46 0.35 1.49%}, **CBA** {74.92 1.61 2.15%}, **NAB** {26.24 0.60 2.29%}, **Westpac** {30.35 0.46 1.52%}, **Bendigo & Adelaide Bank** {8.87 0.10 1.13%} & **Bank of Queensland** {12.12 0.39 3.22%}

Financial Services / Market Related Stocks

Macquarie Bank {66.09 1.51 2.28%}, **QBE** {10.91 0.17 1.56%}, **IAG** {5.58 0.12 2.15%}, **Suncorp** {11.91 0.32 2.69%}, **Austbrokers** {8.20 0.13 1.59%}, **Computershare** {9.78 0.06 0.61%}, **ASX** {41.43 0.18 0.43%}, **Cabcharge** {3.24 0.06 1.85%}, **Flexigroup** {2.48 0.07 2.82%} & **Iress** {11.60 0.12 1.03%}..

Fund Managers / Brokers

Challenger {8.39 0.19 2.26%}, **BT Investment** {9.70 0.25 2.58%}, **Henderson** {hgi}, **Platinum Asset** {6.35 0.09 1.42%}, **Bell Financial** {0.49 -0.01 -1.02%}, **K2 Asset Mgt** {0.43 0.02 3.53%} **Wilson Group** {0.95 0.00 0.00%}, **AMP** {5.79 0.10 1.73%} **Perpetual** {43.56 1.37 3.15%}, **IOOF** {8.87 0.18 2.03%} & **Magellan** {22.68 0.33 1.46%}

Insurers

AMP {5.79 0.10 1.73%}, **IAG** {5.58 0.12 2.15%}, **Medibank** {2.93 0.05 1.71%}, **NIB Holdings** {3.91 -0.03 -0.77%}, **QBE** {10.91 0.17 1.56%}, **Suncorp** {11.91 0.32 2.69%}, **Ausbroskers** {8.20 0.13 1.59%}, **Steadfast** {1.79 0.01 0.56%}, **Tower** {1.60 0.00 0.00%}

The Coppo Report

BELL POTTER

Retailers

Harvey Norman {4.70 -0.01 -0.21%}, **JB Hi-Fi** {23.58 0.31 1.31%}, **Myer** {1.18 0.00 0.00%}, **Metcash** {1.74 0.05 2.59%}, **Adairs** {2.34 -0.03 -1.28%}, **Automotive Holdings** {4.09 0.05 1.22%}, **Burson** {4.61 0.11 2.39%}, **Breville** {7.82 0.12 1.53%}, **Oroton Group** {2.92 0.00 0.00%}, **Pacific Brands** {1.03 0.01 0.49%}, **Premier Investments** {16.92 0.22 1.30%}, **RCG Corp** {1.58 0.01 0.63%}, **Super Retail** {8.56 0.06 0.70%}, **Specialty Fashion** {0.65 -0.01 -0.77%}, **The Reject Shop** {14.00 0.36 2.57%}, **Thorn Group** {1.83 0.02 1.10%}, **Godfreys** {1.15 0.09 7.83%}, **Wesfarmers** {41.45 0.18 0.43%}, **Woolworths** {22.10 0.23 1.04%}, **Webjet** {6.33 0.26 4.11%}, **Kathmandu** {1.50 -0.01 -0.33%}, **Billabong** {1.84 0.15 8.15%}, **Fantastic Furniture** {1.88 0.06 3.20%}

Healthcare

Ansell {17.29 0.19 1.10%}, **Australian Pharmaceutical** {1.96 0.01 0.51%}, **Cochlear** {102.30 1.16 1.13%}, **CSL** {101.44 1.08 1.06%}, **Capital Health** {0.12 -0.01 -8.70%}, **Healthscope** {2.66 0.05 1.88%}, **Invocare** {12.57 0.26 2.07%}, **Mesoblast** {2.57 0.16 6.23%}, **Mayne Pharma** {1.51 0.03 1.99%}, **Primary Healthcare** {3.75 -0.04 -1.07%}, **Ramsay Healthcare** {61.36 0.79 1.29%}, **Resmed** {7.43 0.01 0.13%}, **Sonic Healthcare** {18.78 0.27 1.44%}, **Sigma** {1.06 0.03 2.36%}, **Sirtex Medical** {28.92 0.69 2.39%}, **Virtus Health** {6.26 -0.10 -1.60%}, **Fisher & Paykel Health** {8.89 0.17 1.91%}

Media

APN News & Media {0.65 0.02 3.08%}, **APN Outdoor** {6.48 0.11 1.70%}, **Carsales** {11.76 0.16 1.36%}, **Fairfax** {0.86 0.03 2.91%}, **iCar Asia** {0.91 0.01 0.55%}, **Newscorp** {17.37 0.02 0.12%}, **Nine Entertainment** {1.56 0.04 2.24%}, **REA Group** {54.03 0.82 1.52%}, **STW Group** {1.00 0.03 3.00%}, **Seek** {16.18 0.34 2.10%}, **Seven West Media** {1.03 0.03 2.43%}, **Sky Network TV** {4.51 0.12 2.66%}, **Southern Cross Media** {1.11 0.02 1.80%}, **Trade Me** {3.99 0.05 1.25%}, **Ten Network** {1.00 0.00 0.00%}

Telcos

Telstra {5.33 0.11 2.06%}, **Hutchinson** {0.08 0.00 0.00%}, **Nexdc** {2.75 0.05 1.82%}, **Spark NZ** {3.29 0.06 1.82%}, **NZ Telecom** {tel}, **Chorus** {3.61 0.02 0.55%}, **TPG telecom** {11.34 0.10 0.88%} & **Macquarie Telecom** {9.01 0.00 0.00%}

Transport

Brambles {12.12 0.03 0.25%}, **Recall** {7.50 0.14 1.87%}, **Aurzion** {3.96 0.01 0.25%}, **Qantas** {4.07 0.10 2.46%}, **Qube** {2.36 0.04 1.69%}, **Virgin** {0.37 0.03 6.85%}, **Alliance Aviation** {0.45 0.00 0.00%}, **MMA Offshore** {0.39 0.00 0.00%}, **Sydney Airport** {6.69 0.04 0.60%}, **Auckland Airport** {5.83 0.06 1.03%}, **Air NZ** {2.56 0.01 0.39%}, **Macquarie Atlas Road** {4.80 0.01 0.21%}, **Transurban** {11.35 0.11 0.97%}, **Virgin** {0.37 0.03 6.85%}

Travel & Tourism

Qantas {4.07 0.10 2.46%}, **Sydney Airport** {6.69 0.04 0.60%}, **Auckland Airport** {5.83 0.06 1.03%}, **Air NZ** {2.56 0.01 0.39%}, **Virgin** {0.37 0.03 6.85%}, **Webjet** {6.33 0.26 4.11%}, **Ardent Leisure** {2.29 0.01 0.44%}, **Event Holdings** {15.20 0.14 0.92%}, **Corporate Travel Management** {13.41 0.16 1.19%}, **Cover Moore** {1.55 0.06 3.55%}, **Flight Centre** {43.23 0.66 1.53%}, **Sea Link Travel** {4.29 0.02 0.47%}, **Manta Group** {4.53 0.16 3.53%},

Building Materials

Adelaide Brighton {5.07 -0.01 -0.20%}, **Boral** {6.18 0.08 1.29%}, **CSR** {3.30 0.06 1.82%}, **Hardies** {17.86 0.29 1.62%}, **GWA** {2.26 0.01 0.44%}, **Reece** {33.61 0.06 0.18%}, **Fletcher Building** {7.06 0.11 1.56%}, **Nuplex Industries** {4.69 0.04 0.85%}, **Brickworks** {15.84 -0.03 -0.19%}

The Coppo Report

BELL POTTER

Vehicles

AP Eagers {9.75 0.20 2.05%}, **Automotive Group** {4.09 0.05 1.22%}, **ARB Corp** {15.04 0.22 1.46%}, **McMillan Shakespeare** {12.49 0.08 0.64%}, **Smartgroup** {4.95 0.08 1.62%}, **SG Fleet** {3.50 0.02 0.57%}, **Eclix** {3.05 0.07 2.30%}

Business Services

Aconex {6.29 0.06 0.95%}, **MYOB** {3.27 0.03 0.92%}, **McMillan Shakespeare** {12.49 0.08 0.64%}, **SG Fleet** {3.50 0.02 0.57%}, **Spotless Group** {1.26 0.07 5.16%}, **Broadspectrum** {1.19 -0.01 -0.84%},

Food & Beverages

Coke-Cola Amatil {8.84 0.26 2.94%}, **Collins Foods** {4.21 0.01 0.24%}, **Dominos Pizza** {57.48 0.95 1.65%}, **Fonterra** {5.38 0.02 0.37%}, **Graincorp** {7.54 0.18 2.39%}, **Select Harvest** {4.13 -0.09 -2.18%} **Treasury Wines** {9.64 0.14 1.45%}

Engineering & Construction

ALQ {3.99 0.02 0.50%}, **Boart Longyear** {0.09 0.00 2.25%}, **CIMIC Group** {34.76 0.18 0.52%}, **Downer EDI** {3.84 0.12 3.13%}, **GWA** {2.26 0.01 0.44%}, **Lend Lease** {13.87 0.22 1.59%}, **Monadelphous** {7.12 0.04 0.56%}, **Programmed Maintenance Services** {1.48 0.06 4.05%}, **McMillan Shakespeare** {12.49 0.08 0.64%}, **NRW Holdings** {0.22 -0.01 -2.33%}, **SVW** {5.46 0.09 1.65%}, **Broadspectrum** {1.19 -0.01 -0.84%}, **Skilled Group** {1.64 0.00 0.00%}, **SAI Global** {3.77 0.08 2.12%}, **United Group** {3.11 -0.03 -0.96%}, **Worley** {5.38 -0.22 -4.09%}

REITS

Abacus Property {2.98 0.02 0.67%}, **BWP Trust** {3.42 -0.01 -0.29%}, **Charter Hall Group** {4.64 0.06 1.29%}, **Cromwell Property** {1.04 0.01 0.96%}, **Charter Hall Retail** {4.59 0.02 0.44%}, **Dexus** {7.94 0.08 1.01%}, **Vicinity Centres** {3.19 0.04 1.25%}, **Goodman Group** {6.67 0.00 0.00%}, **GPT** {5.00 0.04 0.80%}, **Lend Lease** {13.87 0.22 1.59%}, **IOF** {4.19 0.03 0.72%}, **Mirvac** {1.94 0.04 2.07%}, **Peet** {0.99 0.02 1.52%} **SCA Property** {2.29 0.01 0.44%}, **Scentre Group** {4.44 0.05 1.13%}, **Stockland** {4.27 0.10 2.34%}, **Westfield** {9.99 -0.04 -0.40%}

Steel

Arrium {0.02 0.00 0.00%}, **Bluescope** {6.19 0.07 1.13%} **Sims** {8.64 0.01 0.12%}

Paper & Packaging

Amcor {14.35 0.12 0.84%}, **Orora** {2.50 0.04 1.60%}, **Pact Group** {4.99 0.09 1.80%}

Utilities

AGL {18.40 0.25 1.36%}, **APA Group** {8.81 0.11 1.25%}, **AusNet Services** {1.49 -0.01 -0.67%}, **DUET Group** {2.28 0.00 0.00%} **Origin** {5.09 0.15 2.95%}, **Spark Infrastructure** {2.07 -0.02 -0.97%}

Infrastructure

APA {8.81 0.11 1.25%}, **SKI** {2.07 -0.02 -0.97%}, **Transurban** {11.35 0.11 0.97%}

Chemicals

Dulux {6.28 0.01 0.16%}, **Incitec Piviot** {3.19 -0.01 -0.31%}, **Orica** {15.37 -0.24 -1.56%}

IT, Software Services

Aconex {6.29 0.06 0.95%}, **Computershare** {9.78 0.06 0.61%}, **Isentia** {3.47 0.07 2.02%}, **MYOB** {3.27 0.03 0.92%}, **Melbourne IT** {2.01 -0.02 -1.00%}, **SMS** {1.85 0.03 1.62%}, **Technology One** {4.77 0.12 2.52%}

Agricultural

Capilano Honey {20.25 0.38 1.88%}, **Graincorp** {7.54 0.18 2.39%}, **Ridley Corp** {1.32 0.02 1.52%}, **Tassal Group** {3.82 0.15 3.93%}, **Fonterra** {5.38 0.02 0.37%}, **Incitec** {3.19 -0.01 -0.31%}, **Nufarm** {7.50 0.21 2.80%}, **Aust Ag** {1.30 0.01 0.77%}, **Elders** {3.91 0.19 4.86%}, **Primeag Australia** {0.44 0.00 0.00%} & **Webster** {1.15 0.01 0.43%}

Baby Formula + stocks leveraged to Chinese consumer

Blackmores {177.15 1.16 0.65%}, **Bellamy's** {10.34 0.23 2.22%}, **Bega Cheese** {5.90 0.10 1.69%}, **BWX** {4.28 0.00 0.00%}, **Treasury Wines** {9.64 0.14 1.45%}, **Traditional Therapy** {0.51 0.00 0.00%} & **Vitago** {1.73 0.04 2.31%}

OTHER

- **Japan** missed out on the global rally yesterday (down -1.3%), after announcing that **industrial output dropped 6.2% in February** due to sluggish demand both at home and abroad. The month-on-month fall marks the biggest drop since March 2011, when a devastating earthquake in Japan crippled the country's supply chain. Japanese factory activity is closely monitored by market watchers as a proxy for the trend of the national economy.
- **Huge industrial overcapacity will drag on China's growth** this year, according to the Asian Development Bank, which cut its growth outlooks for the world's second-largest economy. The ADB's new forecast sees **GDP growth slowing to 6.5% this year and 6.3% in 2017**, compared with Beijing's expectations of between **6.5-7% for 2016 and an average of 6.5% over the next five years**. Separately, the PBOC today issued guidance on financial support for "new consumption areas," including expanding the consumer credit market and encouraging financing firms to issue bonds and other credit products.

RESOURCES

Oil finishes month & QTR better – but the sell of is coming

OIL up +13.5% for the month & +3.46% for the QTR (previous 2 QTRs were -17.8% in Dec Qtr & -24% in Sept Qtr)...

Has bounced back with its **best monthly rise in a year...**

Date	Price	% Move
31-Mar-16	38.3	13.54%
29-Feb-16	33.8	0.39%
31-Jan-16	33.6	-9.23%
31-Dec-15	37.0	-11.07%
30-Nov-15	41.7	-10.22%
31-Oct-15	46.4	2.88%
30-Sep-15	45.1	-6.37%
31-Aug-15	48.2	2.21%
31-Jul-15	47.1	-20.77%
30-Jun-15	59.5	-1.38%
31-May-15	60.3	1.12%
30-Apr-15	59.6	25.27%

Investors pile into gold at fastest pace since 2009

- Negative rates in Europe boost bullion's appeal. This quarter, investors poured money into SPDR Gold Shares and iShares Gold Trust, the two biggest gold-backed exchange traded funds, at **the fastest pace since 2009**. That's as bullion surges 16 percent, the biggest quarterly rally since 1986, as a more dovish Federal Reserve tone weighs on the dollar and more than \$7 trillion of sovereign bonds now have negative yields.(Bloom)

Short sellers have increased bets against big diversified miners recently

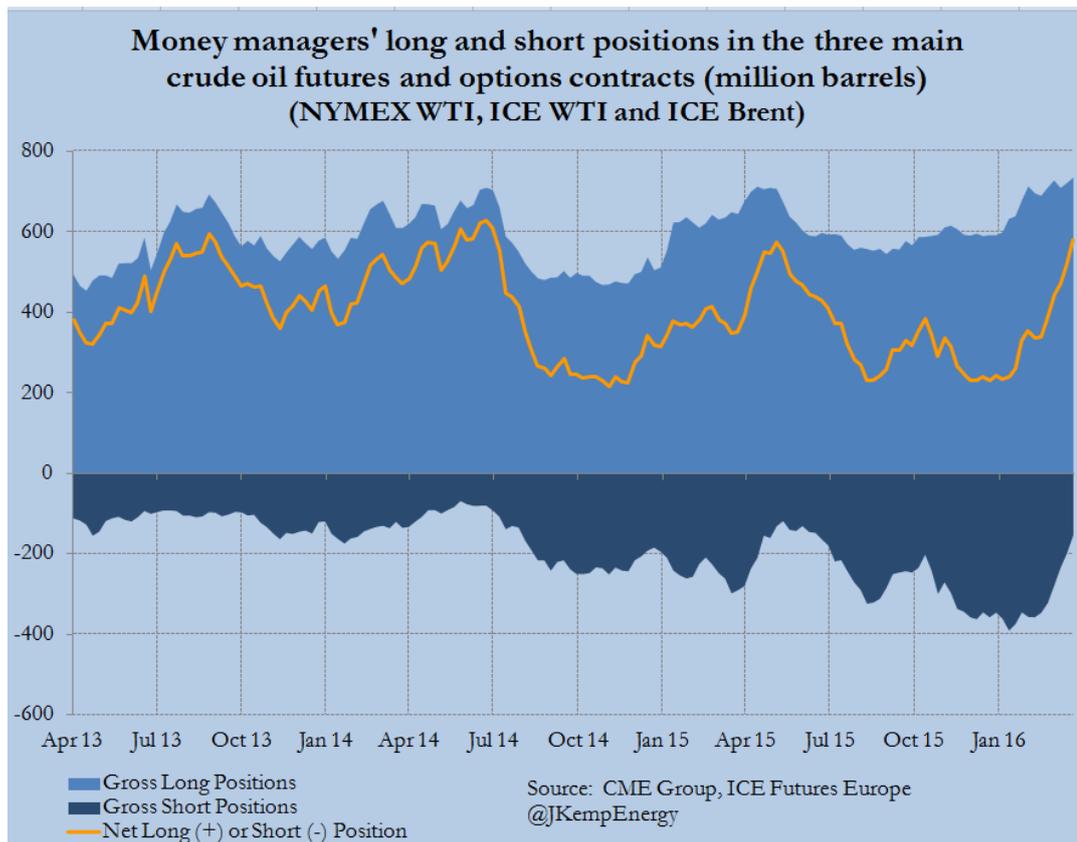
- It has been a good few months for the world's major miners, but not everyone believes the recent commodities rally will last. The **surprise surge in prices for iron ore, copper, manganese and oil** since January 21 has boosted mining stocks, but also attracted the type of investors who like to bet that shares will go down.
- **Short positions in Rio Tinto, BHP Billiton, Glencore and Anglo American surged to their highest levels in several years** during the first quarter of 2016, suggesting that a growing number of investors believe the improved commodity prices **cannot be sustained**.
- Take Rio for example; the percentage of Rio's Australian shares sold short in mid-February was the highest since Christmas Eve 2012. While **3 per cent of shares sold short may sound small, it's dramatically more than the 0.75 per cent of shares** that were sold short just six months ago in September 2015.
- **Short positions in BHP have also tested multi-year highs** during the early months of 2016. BHP had less than one-half of a percentage point of its shares sold short for most of the past three years, and short positions made up just 0.19 per cent of the share register in March 2015. But when short positions topped 1.8 per cent earlier this month, it was highest since the Christmas period of 2012.
- Short positions in London-listed diversified miners **Glencore and Anglo American** have also surged in recent months.

The Coppo Report

BELL POTTER

- The sentiment behind the shorting of miners was perhaps best summed up by analysts who said the recent **commodity price rises were driven by little more than sentiment**. "While near term sentiment has improved, the fact that most **markets have far too much available capacity has not**. Metals and bulk commodities are a long way from being out of the woods," they wrote in a note to clients. "Moreover, the return of capacity means future price falls may have to be even more severe to achieve appropriate supply adjustment."
- Few miners have attracted the attention of **short sellers more than Fortescue Metals Group** over the past five years. But short positions in Fortescue have been **sliding for a year now**. More than **12 per cent of shares in the iron ore pure-play were sold short on April 2, 2015**, but that number was less than **6 per cent** last week. Efforts to reduce debt, lower the company's unit costs and the recent partnership with Brazilian miner Vale all seem to have convinced short sellers that Fortescue are more robust than previously believed. (AFR)

The rally in oil helped by short covering



The Coppo Report

BELL POTTER

M&A league tables – it's been tough out there...

Mar 18 2016 Sarah Thompson , Anthony Macdonald , Joyce Moullakis

The AFR Street Talk has looked at the Australian league tables and as you'd expect after the volatility we have seen in the last 3 months – deals have been thin so far.

On the equity capital markets, the picture isn't rosy for bankers either. The AFR points out that .. **Total volume year-to-date is at its lowest in 15 years**, with **just 5 IPO's so far in 2016**. In the league tables, Credit Suisse leads followed by UBS and Canaccord Genuity. There are a pipeline of floats in the offering including debtor company Scottish Pacific and Reliance Worldwide, but the overall volumes will be down on last year which included the mammoth big four bank raisings.

Australia ECM bookrunner and announced M&A advisor ranking, 2016 YTD

State of play

Australia ECM bookrunner ranking, 2016 YTD*

Bookrunner	Value (\$USm)	No. deals	2015 YTD rank
Credit Suisse	182	1	10
UBS	142	3	2
Canaccord Genuity Corp	127	3	7
Bell Potter Securities	107	6	8
JPMorgan	95	1	5
Macquarie Group	74	2	1
Hartleys Ltd	61	8	21
Patersons Securities	21	9	17
Taylor Collison	16	6	9
APP Securities	14	3	-

Australia announced M&A advisor ranking, 2016 YTD

Advisor (ex fairness opinion)	Value (\$USm)	No. deals	2015 YTD rank
Macquarie Group	3330	10	2
BoA Merrill Lynch	2393	3	4
Morgan Stanley	1824	2	6
Goldman Sachs	1803	3	10
Credit Suisse	1439	3	11
Lazard	1017	2	7
UBS	940	4	12
Deutsche Bank	938	2	1
JPMorgan	748	2	-
Gresham Partners	703	1	7

*As at 4pm AEST, March 17, 2016

SOURCE: DEALOGIC

Source AFR

Today we had my favourite journo from The Australian - Michael Bennett commenting..

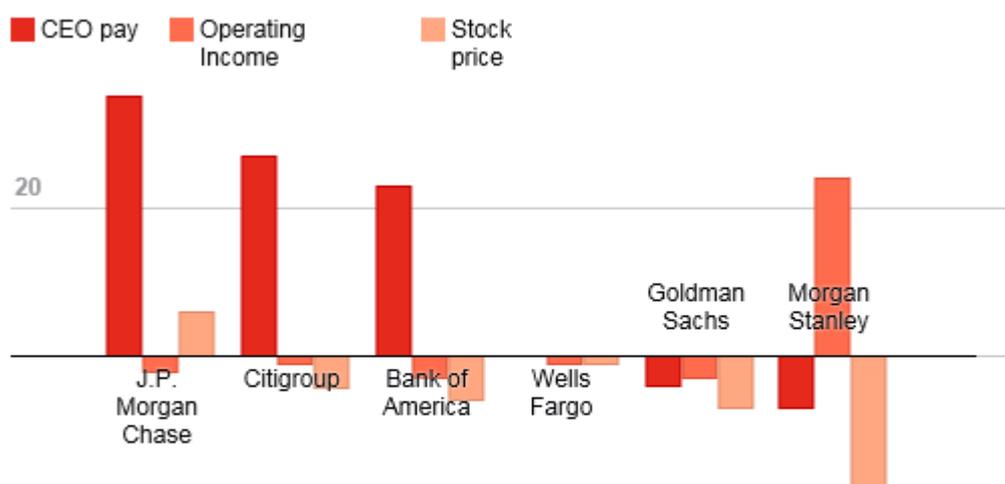
The Coppo Report

BELL POTTER

Ohhh it's good at the top – sorry about all the proletariats !!

- Wall St Bonuses **down -9%** in Cy15 **BUT CEO pay not impacted**, - no seriously while the “workers” were slugged due to lower revenues – the guys running these firms with falling revenues & falling stock prices decided they were doing such a great job that they deserved to be rewarded...
 - That saw the 6 largest bank **CEO** combined pay **up almost +10%** to \$123m.
 - Wow that's a handy **average of US\$20.5 million each**
 - That's despite operating profits **falling -1%** & stock prices **falling** an average of **-5%**.
-
- Also .. Credit Suisse . The Chief Executive Tidjane Thiam received 18.9 million Swiss francs from the Swiss bank in 2015 **even after he asked to have his bonus cut by 40%**, according to its annual report published. Thiam, who took over at Credit Suisse from British insurer Prudential last July, is five months into implementing his new strategy for the Zurich-based bank

Percentage change 2015 vs. 2014



Source: Bloomberg, company filings

FORTUNE

A mid Cap Focus for the QTR

Bell Potter's Justin Manly –Cooper (London Desk) made some good observations about the last quarter – Justin approached this quarterly reckoning with a lot more trepidation, given the volatility he was quite prepared for our first quarter of underperformance since starting the midcap specials 15 months ago. The market is up 1% over the period, the portfolio did well up 1.6% .

However, as he points out - that number hides some very disparate performances. **The long term thematic bucket** for the Qtr was **MYX, BLD, QUB, IFL and CGF**. Despite a poor substitution at the end of December, **MYX +5.4%** for **CSR +22%**, the bucket performed pretty well returning **2.3%**. The **star was BLD** and even the worst performer **IFL** was only down just over -4%. He decided to make one change to this bucket for the next quarter. **BLD** as mentioned has performed well, but he really wants to return to the long term theme of the Western Sydney rebuild. Therefore he is going to replace **BLD** with **BKW**.

The Coppo Report

BELL POTTER

Brickworks is now in the ASX 200, has a giant and self funding growing industrial property business that will have **north of \$1bn of property net to BKW in time**, then you have the building materials business that is flying. The western Sydney rebuild has the infrastructure arteries being constructed, so all it needs now is land and building products, Brickworks has both. It also has the cross shareholding with SOL, which is a positive and is **now selling at a two point cheaper PE than BLD**. Therefore the long term thematic bucket for the quarter is **MYX, BKW, QUB, IFL and CGF**

In December, Justin said that one should not expect to see **the long term franchise bucket** to ever **change too much**, but then made three changes. I benched **IPH -29%, SUN +2.3% and MPL +29%** and replaced them with **EVT, CTX and SGF** all of which **underperformed**. Therefore the long term franchise group of **AHG, DMP, EVT, CTX and SGF fell on average -5.6%**. He thus reversed two of the changes made. **IPH** was benched because it **had performed so well** and it's **now at a valuation worth buying again**. **SUN** gave a **profit warning** in December, but **hit its reduced numbers so the sin bin is over and it comes back in**. The two casualties will be **EVT and CTX**. **MPL also remains on the radar**, but has **performed to well** to put back in the other. Therefore, the long term franchise bucket for the next qtr is **AHG, DMP, IPH, SUN and SGF**.

The good cyclicals bucket was choppy as you'd expect **BTT** at the **worst end -19.7%** was somewhat counter balanced by **SFR** being **up 12.5%**. However the group as a whole of **BTT, SUL, SFR, MTR and AAC** were **down 7.3%**. The only change we made last time was to swap **NUF** for **AAC**, a decision which had no effect either way. Given last week's news that the Chairman of Fuhua Group, China's biggest glyphosate producer **now has over 5% of NUF, he's tempted to go back the other way**.

He's also concerned, given the currency move, that for the moment, the cyclical wind is against Mantra, so it moves to the bench.

In its place he's decided he **wants some more mining exposure**. Iron ore as an investment was written off years ago and over this most volatile of quarters has quietly rallied as has **FMG**. However, **FMG is quietly getting it's house in order**. It's result showed, lower costs, reliable production and reduced debt. Two years ago **straight debt to equity leverage stood at 95%**, by June this year will be **48% going to 25% the year after**. The recent MOU with Vale, is a sensible deal, blending product to suit customer demand. On a **PE of 7x and a yield of 3%**, **FMG** joins the cyclical bucket. **BTT, SUL, SFR, FMG and NUF**.

The **real winner for the quarter** were the **spec stocks** of **MSB, EGG, MLX, VLA, SPA and WSA**. If I hadn't broken my own rules and not put in **SPL** as an extra, the group as a whole would have been **up 22% vs 17%**. Usually, it's been this final bucket that lets us down, but this time it saved the day big time, diversification does work! The two stars were **MSB** and **EGG**. **SPL** is going to be benched and he's going to break the rule again and include **FAR**.

FAR's oil find offshore Senegal, just gets better and better. The size is good and likely to get better, deliverability flows very well and the connectivity between the wells looks to be continuous. All being good and after appraisals, we look to be heading to a declaration of commerciality later in the summer. We continue to **regard FAR's offshore Senegal areas, which include the SNE field** and other related nearby interests as most exciting because exploration and appraisal of the discoveries there are confirming the area is a new world class basin play that contains multiple major oil discoveries of increasing size and economic significance. Therefore, the spec bucket for this quarter is **MSB, EGG, MLX, VLA, WSA and FAR**.

The Coppo Report

BELL POTTER

RISES

1. **Viralitics** {0.65 0.02 2.31%} Bell's analyst John Hester had a note today on one worth having a look at its very interesting & the **most promising biotech we cover**, most likely to deal major partner deal in the near term. Their initial CALM study showed meaningful results in late stage melanoma treatment when combined with checkpoint inhibitor drugs like Yervoy which had US\$1.1bn in sales in 2015. This is a big market with 73k new cases in the US alone in 2014, with lots of interest from the majors, & lots of focus on immuno-oncology. We think not insignificant that 36% of VLA register now owned by specialist US biotech investors. They **will have a high profile at next mths American Association of Cancer Research conference**, with 3 posters (and that is a lot for a small biotech) covering a preclinical study, MITCI (study of CVA21 & Yervoy in late stage melanoma), & extension study from CALM also for late stage melanoma. \$32.3m raising last Dec lifted cash balance to \$50m giving them trial funding through 2017 & beyond. Initial success with CALM study has supported considerable extension of clinical programme & there are now 4 phase 1 studies plus a CALM extension study with results due later this calendar yr. John last night **lifted his valuation from 96c to \$1.23**. The change to the valuation is warranted following the release of numerous data points and the commencement of new clinical trials since the last review. We now expect the loss in FY16 will increase from \$5.4m to \$9.1m reflecting higher than forecast operating expenses. FY17 NPAT is amended by -23% reflecting changed assumptions regarding the structure and timing of a partnering transaction i.e. we now assume a transaction weighted more heavily to milestone payments at the back end.
2. **Webjet** {6.33 0.26 4.11%} Bell potter analyst John O'Shea says that WEB's recent results have highlighted the strong turnaround in the Australia/NZ B2C business (Mainstream Division) at a time when market observers were questioning the sustainability of the model. In this report we take a closer look at what has driven this turnaround and whether we believe it will continue. **Our analysis indicates that the improved results** for the Mainstream Division reflect a combination of factors many of which point to sustainable growth. These factors include: (1) The **disruptions** caused by major upgrade to the website during FY14 are now **history** and the focus on improving conversion rates appears to be delivering results; (2) The **material growth in Jetstar's Domestic business** over recent years has assisted WEB and helped drive market share gains vs airlines direct online offerings; (3) The Company **continues to invest heavily** in the WEB brand and this appears a major differentiator versus competitors in the online flights segment; (4) Recent improvement in the demand for **Domestic Leisure travel has assisted WEB** although we expect this to be transitory given the structural shift to Outbound Holiday Travel (-ve but limited relevance given winning share); and (5) The online travel agent segment within Australia remains relatively small with further structural growth to come particularly from Outbound. **Our EPS estimates remain largely unchanged** but **our 12-month price target has increased 9% to \$6.76** due to the roll forward of the model and a lower assessed discount rate (pre-tac WACC 10.2% vs 10.7%) and is based on an EV/EBITDA multiple methodology that looks at rolling 1-year forward earnings derived from a ROIC model. We maintain our Buy recommendation as we consider the Company well positioned to deliver strong growth in the coming years.
3. **Ardent** {2.29 0.01 0.44%} Market watchers are betting that Ardent Leisure is in the early stages of a break-up, with shareholders understood to be lobbying for the move amid talk of disunity within the boardroom. (Aust.)
4. **Ansell** {17.29 0.19 1.10%} ASFR saying that Ansell is considering shifting its headquarters offshore to the US.
5. **Recall** {7.50 0.14 1.87%} the competition regulator has given the green light to Recall Holdings' \$3.4 billion takeover from US rival Iron Mountain, after the American company agreed to sell most of its Australian

The Coppo Report

BELL POTTER

assets. But competition authorities in Canada, Britain and the US are still considering the deal between the document storage and data protection companies. For his part, Australian Competition and Consumer Commission chairman Rod Sims said he **had no problems with the takeover after Iron Mountain accepted a court enforceable undertaking to offload most of its Australian businesses**. Recall shareholders are set to receive 0.1722 Iron Mountain shares for each Recall stock they own or a cash payment of \$8.50 a share, if the deal is approved. (Bloom)

6. **IPH Limited** {6.53 0.40 6.13%} Bell Potter analyst – Sam Haddad has today **upgraded Bell Potter's rating to Buy**. Since we downgraded our rating on IPH to Hold on 23 February, the company's share price has retreated ~28%. At current share price levels we now believe valuation is undemanding and presents a buying opportunity. Accordingly we have reinstated our Buy rating with a revised 12-month price target of \$8.75. Our view on valuation is supported by the following key factors: (1) Based on BPe, **IPH's FY17e PE has contracted from 25.5x at 23 Feb to ~19x**: We believe a PE of ~19x is undemanding considering IPH's high quality earnings attributes (including well diversified revenue streams with relatively high visibility, and the high sustainable margins), blue-chip client base, and leverage to the high growth Asian region where there remains significant scope to grow market share. (2) Recognising **\$77m in net cash equates to ~41cps**: This means **IPH is actually trading on an FY17 adjusted (excl. net cash & interest income) PE of ~18x**. (3) **Against its historical average since its ASX-listing, IPH is trading at a 13%-14% discount** on both PE (using ~19x) and EV/EBITDA valuation measures. (4) Finally, we also believe **IPH has a high propensity to acquire businesses and therefore see upside risk to our forecasts** from EPS accretive acquisitions. **Earnings changes – modest downgrades due to firmer \$A**. We have allowed for slightly firmer \$A/\$US FX rate assumptions in our forecasts. This results in modest EPS downgrades of 2.5%/2.8%/0.9% in FY16/FY17/FY18. Our 12-month price target reduces marginally from \$8.80 to \$8.75. **Investment View: Upgrade from Hold to Buy, PT \$8.75** We believe IPH is a high quality business with attractive operating attributes in a structurally growing industry. With dominant IP servicing hubs in Singapore and Australia, and the potential to leverage off its multinational clients, we believe IPH is well placed to grow across Asia-Pacific and consolidate its position as a leading 'one-stop gateway' for the region. Following IPH's share price retreat, we believe valuation is undemanding and upgrade our rating from Hold to Buy
7. **ANZ** {23.46 0.35 1.49%} yesterday we had DB **downgrade ANZ to a HOLD** They commented that ... "Nonetheless the update suggests both limited visibility on bad debts and potential for further such charges given ANZ's overweight position in Resources and Insto. Valuation support has proven illusory to date and with the credit outlook in Asia and Resources still very uncertain, we think the **prospect of ANZ closing the valuation discount to peers in the short term is low**."
8. **Macquarie** {66.09 1.51 2.28%} last night we saw Credit Suisse (CS) **cut their numbers for both GS & MS** .. they said ... (1) "**Goldman Sachs** (1Q EPS to \$2.11; Consensus: \$3.59). In light of the challenging operating conditions to start the year, we lower our 1Q EPS estimate to \$2.11 from \$3.44—we are now 41% below consensus (\$3.59). Our estimate change is largely driven by weaker than expected revenues (most notably FICC and Investing & Lending). We also temper our forward expectations and lower our 2016/2017 EPS estimates to \$13.75/\$16.95 Our revised target price is \$180, implying GS shares can trade at 1.0x our forecast year end 2016 BV and 11x 2017 EPS, in sync with expected ROE of 8-9% through 2017. (2) **Morgan Stanley** (1Q EPS to \$0.40; Cons: \$0.67). We lower our 1Q EPS estimate to \$0.40 from \$0.52—we are now 40% below consensus. With regard to core results, we expect muted FICC and Asset Management (reversal of accrued carry) to more than offset relatively resilient Global Wealth Management results (expect fairly stable margins of 20.4% vs. 20.5% in 4Q). We also reduce our 2016/2017 EPS to \$1.85/\$2.45 as we lower our full year trading revenue assumptions. Our target price declines to \$25, implying shares can trade at 0.7x our year end 2016 BV and 10x 2017 EPS, in sync with expected core ROE of 5-7% through 2017."

The Coppo Report

BELL POTTER

9. **Crown Resorts** {12.46 0.23 1.85%} **Wynn Resorts** (WYNN). JP Morgan raises price target to \$100 from \$71 given the reasonably solid 1QTD trends in Macau and for WYNN, with gross gaming revenues pacing up on a sequential basis
10. **ASX** {41.43 0.18 0.43%} yesterday the Federal Treasurer, Scott Morrison, has today acted on recommendations to **open the clearing of cash equities markets to competition**, after an initial transition period to legislate and emplace the appropriate safeguards. This is **expected to take 18 months**, so we do not expect any competition to occur in the immediate term. Currently Cash Markets Trading is subject to competition (with Chi-X), with Cash Markets Clearing set to open up for competition. Cash Market Settlements isn't being opened up for competition, but is subject to a Code of Practice that sets out how the ASX manages its clearing and settlements client offering. Cash Market Clearing and Settlements accounted for 13.6% of Group revenue in 1H16, with around half (~7%) attributed to Cash Markets Clearing. We believe that even if there was a meaningful dent in Cash Markets Clearing revenue, the overall impact to the ASX would be around minus 1-2% EPS impact after two years and this would be phased over a few years. The Treasurer also announced the ASX will now be subject to the same 15% ownership limits for foreign entities as Banks and Insurers with the Treasurer retaining the right to act in the national interest. The current restriction is 15% on any single shareholder that requires an Act of Parliament to change. The new requirement retains the 15% limit but can be overwritten by The Treasurer, meaning there is a simpler path for approval. Reading between the lines we believe it will now be harder for the Treasurer to knock back a merger or 'full takeover' of the ASX by a foreign exchange. Earnings revisions – Bell Potter analyst **Lafitani Sotirou has modestly upgraded our EPS by 1.0%, 0.2%, and 0.1%** for FY16, FY17 and FY18 respectively. The change is driven by the February monthly activity update. However our Price Target has increased to \$43.60 per share (previously \$41.20), given the increased likelihood the ASX may be allowed to engage in a transaction. Our Hold recommendation remains in place following the changes.
11. **APA** {8.81 0.11 1.25%} stock has rallied +4% in the last 2 days since they did their deal . Yesterday GS **upgraded the stock to a to Buy**. APA has recently underperformed defensive peers and we believe this is an over-reaction to AEMC & ACCC comments regarding East Coast gas market reform. APA has a strong track record of value creation through accretive acquisitions, delivery of projects and commercial solutions for the gas market. GS see APA as relatively low risk way to gain exposure to East Coast gas system growth and rising complexity, benefiting from the LNG exporters' challenges. We upgrade to Buy from Neutral with 16% potential upside to our revised 12-mth TP plus 5.3% 12-mth DPS yield. APA is in the ASX50 with a market weighting of 0.68% (similar to CTX 0.65% and ORG 0.63%).
- ANZ** {23.46 0.35 1.49%} after **falling -11.2%** for 6 straight days – the stocks had a bounce today. Faced with limited strategic options and hefty capital requirements, ANZ has taken the **opportunity to reduce its stake in China's Bank of Tianjin**, which listed on the Hong Kong Stock Exchange on Tuesday. **ANZ now holds an 11.9% stake** in the city commercial lender, worth **roughly US\$906 million, down from a 14.2% holding**, which it valued at US\$1.021 billion in its 2015 annual report. ANZ is expected to sell down further as chief executive Shayne Elliot looks to "tighten" the bank's Asian business. ANZ initially paid \$159 million for a fifth of the bank, based in China's northern city of Tianjin, in July 2006 but has gradually allowed its stake to be diluted as the introduction of tough capital rules for overseas equity investments made the holding less attractive. Hopes the Chinese government would lift ownership restrictions on foreign banks have also dimmed. Foreign banks are limited to holding stakes of up to 20% in local players. Bank of Tianjin, which raised more than \$1.2 billion from the listing, was trading flat at \$HK7.39 The offer price of \$HK7.39 was at the bottom of the range outlined in the bank's prospectus.

The Coppo Report

BELL POTTER

Origin Energy {5.09 0.15 2.95%} Origin announces landmark Moree Solar Farm PPA with FRV Origin Energy Limited (Origin) has entered into a landmark 15-year power purchase agreement (PPA) which covers 100 per cent of the output from Fotowatio Renewable Ventures' (FRV) recently commissioned 56 MW Moree Solar Farm. Under the terms of the agreement, Origin has contracted for 100 per cent of the electricity generated and 100 per cent of the Renewable Energy Certificates (RECs) created from Moree Solar Farm – meeting consumer demand for renewable energy and helping meet Origin's obligations under the Federal Government's Renewable Energy Target. Located in northern New South Wales 10km south of Moree, Moree Solar Farm comprises close to 223,000 tracking solar PV modules and is expected to produce approximately 145 GWh of energy annually – enough to supply around 24,000 Australian households.

FALLS

1. **DUET Group** {2.28 0.00 0.00%} went into a **TRADING HALT** as they are **going to raise \$230 million in fresh equity** to fund the buy-out of Alcoa from the main natural gas transmission link in Western Australia and has made it clear it is not done yet with acquisitions. The \$205 million purchase of Alcoa's 20 per cent stake in the Dampier-Bunbury gas pipeline will make DUET the 100 per cent owner of the asset as of completion of the deal, expected next month.
2. **Virgin Australia** {0.37 %} – this is one I wouldn't go near & this is only going to add to their woes – its hard to believe they are flying in the same market as **Qantas** {4.07 0.10 2.46%} – the best pairs trade – sell Virgin & buy Qantas.... Virgin went into a **TRADING HALT** today after their largest shareholder, Air New Zealand, said it's considering selling some or all of its 25% stake in the airline, a stake currently valued at around \$345 million Air New Zealand will assess other uses for the capital tied up in Virgin Australia, the Auckland-based carrier said in a statement Wednesday. Air New Zealand Chief Executive Officer Christopher Luxon resigned from Virgin Australia's board with immediate effect. Air New Zealand owns 25.89% of Virgin Australia, Etihad Airways PJSC owns 24% and Singapore Airlines 23%.
3. **Alumina** {1.30 0.00 0.00%} Sale of Alcoa of Australia's 20% Interest in Dampier to Bunbury Natural Gas Pipeline
Alumina Limited announces that Alcoa of Australia Limited has agreed to sell its 20 per cent interest in DBP, the owner and operator of the Dampier to Bunbury Natural Gas Pipeline to DUET Group for a total commitment of A\$205 million.
4. **Energy Resources** of Australia {0.35 -0.01 -2.86%} Strategic review – update The strategic review was considered by the Board in March 2016. ERA is currently undertaking further work to assess and optimise key elements of the review which is expected to be finalised in due course. As noted in the Company's Annual Report, it is anticipated that the outcomes of the review will be announced to the market in the first half of 2016.
5. **Melbourne IT** {2.01 -0.02 -1.00%} Chris Savage today saying that MLB is Better value than it looks ... **2016 PE ratio is only 14x based on underlying earnings.** We present the earnings of Melbourne IT (both reported and forecast) on a statutory basis and, with all the transactions and integrations over the past couple of years, these earnings are much lower than the underlying earnings of the company. For instance, statutory EPS in 2015 was 5.9cps while the underlying figure was 11.4cps and our statutory EPS forecast in 2016 is 8.9cps while the underlying figure is 14.9cps. So while the 2015 and 2016 PE ratios based on statutory earnings do not look cheap at 34x and 23x respectively, the PE ratios based on underlying earnings look much better value at 18x and 14x respectively. We believe Melbourne IT deserves to trade on a mid to high teens PE ratio so see a 2016 PE ratio of 14x as good value. **Investment view: Maintain BUY, PT \$2.70.** We **maintain our BUY recommendation** and \$2.70 price target on Melbourne IT. We only recently updated the

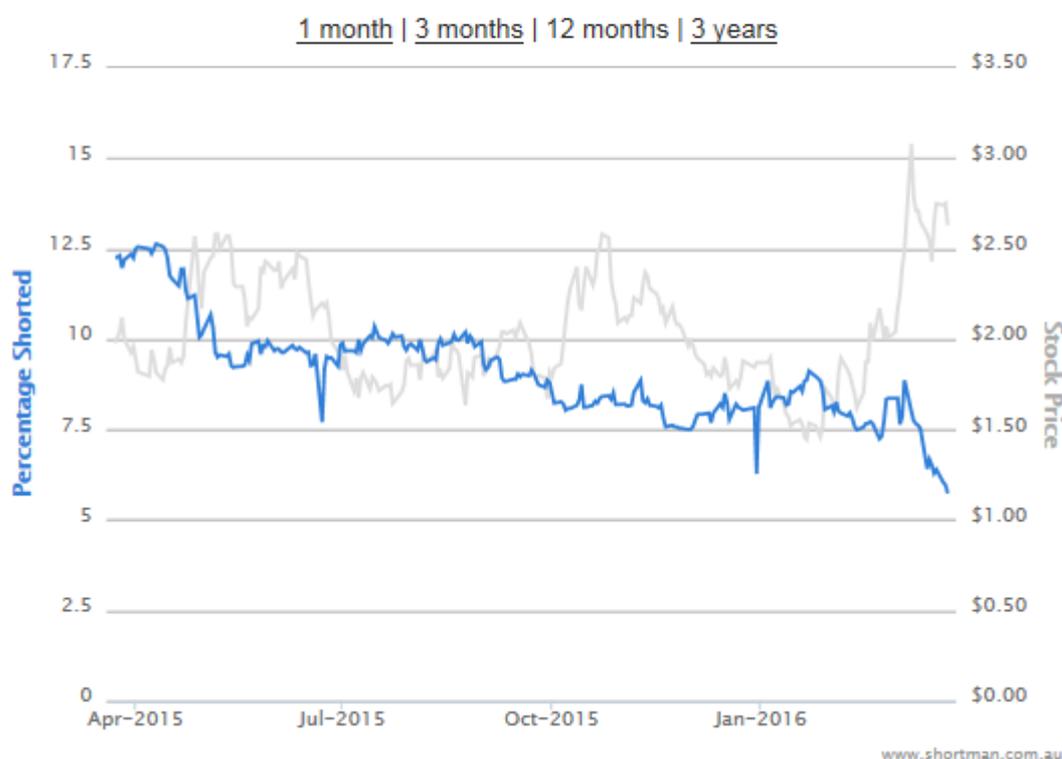
The Coppo Report

BELL POTTER

valuations we use in the calculation of the PT and there is no change. In our view the company looks value on 2016 and 2017 PE ratios of 14x and 11x respectively (based on underlying earnings) and believe the re-rating of the multiple will continue as the transformation of the company becomes more apparent.

6. **Fortescue** {2.55 -0.02 -0.78%} – FMG short interest falls to 21 month low interesting to see the chart below that shows that the shorts in FMG have been slowly covering over the last year. Its come back from 12.5% in April 2015 to 8.8% on the 4th march – but with the dramatic short covering rally we saw across the board in miners & the 40% rally in Iro Ore so far this year, the shorts are now down to 5.7% the lowest since June 2104.

FORTESCUE METALS GRP ORDINARY (FMG)



Pairs Trade

BUY Qantas – SELL Virgin

Since April 2015

Virgin has **fallen -35%**

Qantas has **risen +27%**

The Coppo Report

BELL POTTER

So **outperformance of Qantas is 62%** and – **it isn't over yet** that will get even bigger .. Virgin is desperate for cash & sometime in the next month or 2 they will probably have to go to shareholders & raise cash via a heavily discounted right issue...

Chart shows the performance of Qantas vs Virgin over the last 12 months

CBase (QAN.ASX@AUX): 2:11:53: **127.116** CBase (VAH.ASX@AUX): 2:09:55: **64.5455**



The Coppo Report

BELL POTTER

Top 20 stocks Movements

ASX Code	% Move	Points Move	-1.00%	0.00%	1.00%	2.00%	3.00%
CBA	2.20%	161.0					
WBC	1.54%	46.0					
NAB	2.34%	60.0					
ANZ	1.51%	35.0					
TLS	2.11%	11.0					
BHP	1.44%	24.0					
CSL	1.08%	108.0					
WES	0.44%	18.0					
WOW	1.05%	23.0					
SCG	1.14%	5.0					
TCL	0.98%	11.0					
MQG	2.34%	151.0					
WFD	-0.40%	-4.0					
BXB	0.25%	3.0					
WPL	0.00%	0.0					
RIO	1.67%	70.0					
AMP	1.76%	10.0					
AMC	0.84%	12.0					
SUN	2.76%	32.0					
SYD	0.60%	4.0					

The Coppo Report

BELL POTTER

ASX 200 Movers

<u>Stock</u>	<u>Last Price</u>	<u>+/-</u>	<u>% Change</u>		<u>Stock</u>	<u>Last Price</u>	<u>+/-</u>	<u>% Change</u>
GMA	249	19	8.26%		WOR	538	-22	-3.93%
MSB	257	16	6.64%		SBM	200	-7	-3.38%
IPH	653	40	6.53%		OZL	503	-11	-2.14%
SPO	126	7	5.44%		SHV	413	-9	-2.13%
ASB	156.5	8	5.03%		RRL	244	-5	-2.01%
TTS	378	17	4.71%		EVN	152	-3	-1.94%
PRG	148	6	4.23%		LNG	53	-1	-1.85%
TGR	382	15	4.09%		NST	343	-6	-1.72%
TAH	428	16	3.88%		VRT	626	-10	-1.57%
SYR	406	15	3.84%		ORI	1537	-24	-1.54%
CTX	3402	124	3.78%		PRY	375	-4	-1.06%
CVO	155	6	3.68%		SKI	207	-2	-0.96%
MTR	453	16	3.66%		BRS	118.5	-1	-0.84%
BOQ	1212	39	3.32%		FMG	255	-2	-0.78%
PPT	4356	137	3.25%		AST	149	-1	-0.67%
DOW	384	12	3.23%		WFD	999	-4	-0.40%
APN	65	2	3.17%		IGO	283	-1	-0.35%
ORG	509	15	3.04%		IPL	319	-1	-0.31%
CCL	884	26	3.03%		BWP	342	-1	-0.29%
FXJ	86	3	2.99%		AIO	896	-2	-0.22%
FXL	248	7	2.90%		HVN	470	-1	-0.21%
NUF	750	21	2.88%		ABC	507	-1	-0.20%
SUN	1191	32	2.76%		BKW	1584	-3	-0.19%
SKT	451	12	2.73%		GXL	749	-1	-0.13%
HGG	489	13	2.73%		ILU	656	0	0.00%
MTS	174	5	2.65%		DUE	228	0	0.00%
BTT	970	25	2.65%		GMG	667	0	0.00%
TNE	477	12	2.58%		AWC	130	0	0.00%

The Coppo Report

BELL POTTER

INTRA DAY CHART OF ASX 200



ECONOMIC

Last night US economic data included the weekly MBA Mortgage Index and the ADP Employment Change for March:

- The weekly **MBA Mortgage Index** fell 1.0% to follow last week's 3.3% drop
- The **ADP Employment report** for March came in just ahead of expectations (consensus 196K).
 - This report is a prelude to the more influential March Employment Situation report, which will be released on Friday morning (consensus 200K).

Owner-occupied lending picks up

- **Faster growth** in bank lending to people buying a home to live in is helping to offset a slowdown in lending to property investors, new figures show.
- The **lift in lending to owner-occupiers comes as new home sales fell 5.3 per cent** in the month, as residential construction continues to slow.
- Reserve Bank figures on Thursday showed owner-occupiers continue to play a more important role in **driving the \$1.3 trillion mortgage market**, which is the biggest source of profits for Australian banks.
- The **value of all outstanding home loans grew at 7.3 per cent in the year to February**, unchanged from the previous month but down from the peak of 7.5 per cent last year.
- Within the overall mortgage market, however, **there is a baton change taking place**, as **owner-occupiers become the main source of growth for banks, rather than investors.**

The Coppo Report

BELL POTTER

- This has occurred after a regulatory crackdown in 2015 on bank lending to landlords, and a slowdown in the property market.
- The **annual pace of owner-occupied home loan growth edged up to a five-year high of 7.1 per cent**, up from 7 per cent in the previous month.
- **Owner-occupied loans account for about two thirds of all home loans**, but until recent months it was lending to property investors that was driving much of the credit growth for banks.
- **Now housing investor credit growth is slowing, to a two-year low of 7.6 per cent** in the year to February, down from 7.9 per cent in the previous month.
- **Housing investor lending peaked at 11 per cent a year in June last year**, but has slowed as the banking regulator enforced a 10 per cent speed limit on the annual pace of credit growth in this part of the market. (AFR)
- Housing Industry Association data showed **new home sales fell -5.3% in February**, following two months of gains.
- Detached house sales slipped 3.9 per cent, while multi-units sales plummeted 10.6 per cent. HIA chief economist Harley Dale said the downward trend is becoming more entrenched.

DIARY OF EVENTS TOMORROW & TONIGHT

[Australia](#)

Economic

<u>Sydney Time</u>	<u>Release</u>	<u>Period</u>	<u>Forecast</u>	<u>Previous</u>
9:30 AM	AIG Manufacturing Index	MAR	52.67	53.5

[Chinese data release – very important](#)

<u>Sydney Time</u>	<u>Release</u>	<u>Period</u>	<u>Forecast</u>	<u>Previous</u>
12:00 PM	NBS Manufacturing PMI	MAR	49.1	49
12:00 PM	Non Manufacturing PMI	MAR	53.13	52.7
12:45 PM	Caixin Manufacturing PMI	MAR	48.6	48

[Japanese Data release – very important](#)

<u>Sydney Time</u>	<u>Release</u>	<u>Period</u>	<u>Forecast</u>	<u>Previous</u>
10:50 AM	Tankan Large Manufacturing Index	Q1	11.54	12
10:50 AM	Tankan Non-Manufacturing Index	Q1		25
10:50 AM	Tankan Large All Industry Capex	Q1		10.8
10:50 AM	Tankan Small Manufacturers Index	Q1	1.14	0
1:00 PM	Nikkei Manufacturing PMI Final	MAR	49.1	50.1

The Coppo Report

BELL POTTER

US Tonight (Friday)

<u>Sydney Time</u>	<u>Release</u>	<u>Period</u>	<u>Forecast</u>	<u>Previous</u>
11:30 PM	Average Hourly Earnings MoM MAR		0.23%	-0.10%
11:30 PM	Average Weekly Hours MAR		34.5	34.4
11:30 PM	Participation Rate MAR		62.90%	62.90%
11:30 PM	Non Farm Payrolls MAR		210K	242K
11:30 PM	Unemployment Rate MAR		4.90%	4.90%
1:00 AM	ISM Manufacturing PMI MAR		50.1	49.5
1:00 AM	Construction Spending MoM FEB		0.43%	1.50%
1:00 AM	Michigan Consumer Sentiment Final MAR	90		91.7
7:00 AM	Total Vehicle Sales MAR		17.6M	17.54M

Monday night in the US

<u>Sydney Time</u>	<u>Release</u>	<u>Period</u>	<u>Forecast</u>	<u>Previous</u>
12:45 AM	ISM New York Index MAR		57.42	53.6
1:00 AM	Factory Orders MoM FEB		0.25%	1.60%
1:00 AM	Factory Orders Ex Transportation FEB		-0.21%	-0.20%
1:00 AM	Fed Labor Market Conditions Index MAR		-0.8	-2.4

HIGHS & LOWS TODAY

HIGHS -

❖ All Time Highs FPH, EGP, VOC IRE

The Coppo Report

BELL POTTER

SHARE BUYBACKS

Stock	Bought back previous day	Total Bought Back	Total to be bought back	Shares left to buyback	% of buyback to go	Notice last lodged
ANN		4,031,518	6,525,000	2,493,482	38.2%	30-Mar
AZJ	350,000	4,864,565	32,193,620	27,329,055	84.9%	31-Mar
CSL		7,494,224	9,800,000	2,305,776	23.5%	29-Mar
CSR		250,000	50,300,031	50,050,031	99.5%	24-Mar
MAH	307,000	35,488,375	126,169,996	90,681,621	71.9%	31-Mar
NEC	300,000	64,649,302	170,395,603	105,746,301	62.1%	31-Mar
NVT		2,326,316	28,252,585	25,926,269	91.8%	29-Mar
PMP	43,213	6,321,247	15,748,678	9,427,431	59.9%	31-Mar
QAN		22,994,170	125,313,383	102,319,213	81.7%	30-Mar
SGM	150,000	5,268,084	20,546,114	15,278,030	74.4%	30-Mar
SVW		233,668	16,366,332	16,132,664	98.6%	24-Mar
TWR		6,720,607	10,513,071	3,792,464	36.1%	30-Mar

SUBSTANTIAL SHAREHOLDER CHANGES

Company	Shareholder	Change	Previous Holding %	Current Holding %
Worley Parsons Ltd	Franklin Resources Inc	-1.28%	10.38%	9.10%
Nick Scali Ltd	Macquarie Group	Ceased		
Adherium Ltd	Regal Funds Mng	Became		7.20%
Regis Resources Ltd	Van Eck Associates	-1.03%	11.94%	10.91%
Empired Ltd	Australian Ethical Inv	1.56%	14.44%	12.88%

DIRECTORS' INTEREST NOTICES

Company	Shareholder	Change	Number of shares	Previous Holding	New Holding	Date of Change
Washington H. Soul Pattinson	Robert Millner	Acquired	200,000	20,898,602	21,098,602	30/03/2016
Washington H. Soul Pattinson	Thomas Millner	Acquired	200,000	18,182,977	18,382,977	30/03/2016

The Coppo Report

BELL POTTER

BIGGEST SHORTS IN THE MARKET

ASX Code	Company Name	SI % Float	Shares Short	Days to Cover	Price	Short Value	Market Cap
FLT	FLIGHT CENTRE TRAVEL GROUP L	23.75%	12,094,469	12.9	\$ 43.45	\$ 525,504,678	\$ 4,383,898,395
WOR	WORLEYPARSONS LTD	19.56%	32,414,658	14.8	\$ 5.45	\$ 176,497,813	\$ 1,350,825,793
MTS	METCASH LTD	16.59%	153,868,183	33.8	\$ 1.71	\$ 263,499,263	\$ 1,589,812,863
SVW	SEVEN GROUP HOLDINGS LTD	16.31%	11,564,262	21.7	\$ 5.43	\$ 62,736,121	\$ 1,527,400,688
MND	MONADELPHOUS GROUP LTD	15.34%	13,109,272	36.7	\$ 7.25	\$ 95,042,222	\$ 677,728,050
PRY	PRIMARY HEALTH CARE LTD	14.70%	69,921,367	6.5	\$ 3.72	\$ 260,107,485	\$ 1,939,730,399
MYR	MYER HOLDINGS LTD	14.27%	114,912,301	15.6	\$ 1.18	\$ 135,596,515	\$ 969,109,002
AAC	AUSTRALIAN AGRICULTURAL CO	13.59%	26,933,236	33.0	\$ 1.30	\$ 34,878,541	\$ 690,152,419
WSA	WESTERN AREAS LTD	13.01%	25,615,556	15.0	\$ 2.16	\$ 55,329,601	\$ 504,197,795
FMG	FORTESCUE METALS GROUP LTD	12.91%	178,601,474	7.3	\$ 2.62	\$ 467,935,862	\$ 8,158,151,156
REA	REA GROUP LTD	12.33%	6,036,173	12.9	\$ 53.95	\$ 325,651,533	\$ 7,106,008,011
CAB	CABCHARGE AUSTRALIA LTD	12.22%	12,486,319	48.5	\$ 3.23	\$ 40,330,810	\$ 388,991,106
AWC	ALUMINA LTD	12.11%	284,978,003	17.7	\$ 1.31	\$ 371,896,294	\$ 3,758,195,765
ORI	ORICA LTD	12.04%	44,710,200	64.4	\$ 15.53	\$ 694,349,406	\$ 5,799,401,771
WHC	WHITEHAVEN COAL LTD	11.67%	58,727,145	11.4	\$ 0.66	\$ 38,613,098	\$ 674,625,169
MIN	MINERAL RESOURCES LTD	10.85%	14,554,353	5.6	\$ 6.02	\$ 87,617,205	\$ 1,124,715,396

The Coppo Report

BELL POTTER

BLOCK TRADES OVER \$3M

<u>Stock</u>	<u>Price</u>	<u>Volume</u>	<u>Value (\$Am)</u>
IRE	950.00	145,000	90,000,000
CBA	74.65	415,000	22,000,000
AST	1.49	9,800,000	11,000,000
WOW	22.20	817,000	11,000,000
GMA	2.39	4,900,000	10,000,000
CSL	101.29	937,000	10,000,000
CSL	101.31	835,000	10,000,000
SUL	8.50	1,100,000	10,000,000
MQG	65.77	582,000	9,800,000
GMA	2.39	6,300,000	9,500,000
RMD	7.42	1,100,000	8,500,000
AZJ	4.00	3,000,000	8,000,000
CAR	11.78	650,000	7,600,000
CBA	74.81	2,100,000	7,400,000
JHX	17.87	453,000	7,300,000
DMP	57.51	180,000	7,000,000
ANZ	23.24	1,200,000	5,800,000
WOW	22.20	316,000	5,500,000
CSL	101.32	980,000	4,300,000
SKT	4.47	977,000	4,300,000
JHX	17.86	657,000	3,500,000
ANZ	23.50	3,100,000	3,500,000
FXJ	0.85	6,600,000	3,400,000
SGM	8.86	422,000	3,400,000
GMA	2.39	7,200,000	3,300,000
GMG	6.70	3,300,000	3,300,000
RHC	61.17	73,000	3,000,000
WBC	30.21	907,000	3,000,000
TOTAL			\$ 285,400,000
% of Mkt Value			7.1%

The Coppo Report

BELL POTTER

IMPORTANT INFORMATION AND DISCLAIMER

This is a confidential and private communication intended solely for clients of Bell Potter Securities Limited ABN 25 006 390 772 AFSL 243480 and its related bodies corporate (“Bell Potter”) who have subscribed to The Coppo Report. It is not intended for public circulation or for the use of any third party. Copyright in The Coppo Report belongs to Bell Potter and the information in this report cannot be reproduced, sold or redistributed without our express written consent. We reserve the right to intercept and monitor the content of email messages to and from our systems.

The information in The Coppo Report is of a general nature only and has been prepared without taking into account any particular individual’s investment objectives, financial situation or particular needs (‘relevant circumstances’). Before acting on this information, you should carefully consider the appropriateness of it having regard to your own relevant circumstances and if necessary, seek appropriate professional advice. We cannot guarantee the performance or return on investments and those acting on this information do so at their own risk. This report is not an offer or solicitation to buy or sell any security and we are not soliciting any action based on this report.

We believe this information is correct at the time of its compilation however no warranty is made as to its accuracy, reliability or completeness. Bell Potter has no obligation to tell you when opinions or information in this report change. Any estimates of future performance are based on assumptions that may not be realised. Past performance is not necessarily a guide to future performance. The information in this report may not reflect information known to, or the opinions of, professionals in other Bell Potter departments, including Research and Corporate Finance. To the maximum extent permitted by law, Bell Potter and our officers, employees and consultants do not accept any liability or responsibility for any loss or damage arising from the use of this report.

Bell Potter, our officers, employees and agents may receive commission and fees from transactions involving securities and other investments referred to in this report which our representatives may directly share. We have effected or may effect transactions for our own account on securities and other investments in this report and may make investment decisions that are inconsistent with the recommendations or views in this report.

This report is approved for distribution in Hong Kong to professional investors by Bell Potter Securities (HK) Limited, SFC CE No. AZW955. It is not for release, publication or distribution to any persons in any other country outside Australia (including the United States and the United Kingdom), unless they are institutional investors.

Disclosure: Bell Potter Securities acted as lead manager and underwriter of MLB's placement of shares in March 2016 and received fees for that service.

© 2016 Bell Potter Securities Limited. All rights reserved.