

OZEQUITIES NEWSLETTER

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Jenny Prabhu's Hot & Spicy Curry Shop The Day's Menu

The S&P/ASX 200 as at 2:42pm: down 18 to 5311.4

Property market the top risk in China ..

Nomura in its Asia ex Japan daily research summary today, in the first of series of notes analysing property sector risks in China said the property market is the top risk in China, especially in third and fourth tier cities - oversupply and inventory is building up as GFA per capita has reached a relatively high level in 2013 and inventory has risen by 182% from 2009 to 2013 while China's labor force started to contract in 2012 with the trend to continue in the future. Meanwhile the urbanisation pace has slowed in recent years, affordability has deteriorated and macro factors from property tax to the anti corruption movement could trigger a correction.

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Westpac is an "outperform"/a "hold" ..

A leading broker retained an "outperform" for **Westpac** with a \$33.65 price target after Westpac's Australian Financial Services update revealed it has been able to narrow the gap to its peers with housing credit at 0.9x system in January with improved momentum driven by the launch of its Spring "Home Owns" campaign. Westpac is optimistic that going forward it can catch peers and above system mortgage growth can be achieved.

The broker said the catalyst will be the first half result on May 5.

*Three leading brokers with "hold" recommendations had price targets of \$32.41, down from \$32.43, (nothing in the update to change our view that WBC's mortgage focussed business will struggle to grow). Another broker retained a "Neutral" with a \$32.50 price target but added if WBC's credit growth continues to accelerate earnings risk will be on the upside.

Another leading broker retained a "hold" with a price target of \$33.71 adding that management is focused on expense reduction in the current lower credit growth environment.

WBC down 18.5c to \$33.46.5.

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Adelaide Brighton is an "overweight"/a "hold", price target reduced ..

Following **Adelaide Brighton's** announcement regarding a major customer's arrangements in South Australia, a leading broker retained an "overweight" on ABC on yield.

The broker reduced its price target from \$4.48 to \$4.23. The broker said the 2016 potential (not yet certain) change of arrangements for Cement Australia could put pressure on margins for all players including Boral in the Victorian market. In addition, the broker expects reduced offtake for Boral cement when Cement Australia's Port Kembla grinding facility is commissioned.

The broker said it still sees a 120% payout ratio over 3 years as possible for ABC resulting in a full year 2015 yield of 8.4% fully franked. On a 90% payout ratio, full year 2015 yield is still an attractive 5.9%.

Three other brokers had "neutral" or "hold" recommendations for Adelaide Brighton reducing price targets respectively from \$4.15 to \$4.05, reducing the price target from \$4.33 to \$3.96 and reducing the price target to 43.68 from \$3.73.

ABC up 4c to \$3.79.

Diggers & Drillers

Talga has graphite + graphene - graphite excitement on Tesla's announcement

Tesla's announcement on February 19 announced along with its quarterly, with further details added subsequently, for a giga factory to produce lithium ion batteries, has inflamed the already bullish market for graphite producers.

The lithium ion battery-producing Giga factory is expected to cost \$5 billion to construct and will employ 6,500 people, with Tesla CEO looking for the right location in Arizona, Nevada, New Mexico or Texas. The planned giga factory will enable Tesla to power 500,000 vehicles annually while decreasing costs.

Talga Resources Ltd in its announcement today quoted "Industrial Minerals", March 7 edition which reported, "Lithium-ion batteries for electric vehicles can require up to 100 kg of graphite per unit and industry commentators have calculated that six new graphite mines are required for the Tesla battery factory alone".

Talga produces graphite but the turbo charge comes from its graphene production

Talga announced a capital raising today for \$1.7 million at 8.5c per share which it will use to begin upscaling the Unasvaara test work at its project in Sweden to measure both graphite and graphene yield and characteristics.

A respected analyst commented today, "Talga's Nunasvaara ore body in Sweden has grades at 25% with an extraordinary characteristic that enables production of graphite without having to crush and grind which means major operating cost saving as well as saving on capex.

"A simple process enables production of the highest grade graphene, without the defects in the production of graphene caused by other processes involving acids, milling and high pressures.

The analyst said, "The project looks good on graphite alone, but the turbo charge comes from graphene - graphen is to graphite what gold is to silver. Talga could produce graphite and graphene in a 9:1 ratio . It will be able to produce graphene cheaper than any other known or prospective producer - not just under cut by a useful margin, but at 10% of the cost of everyone else".

He added the project is currently at benchmark stage and has to be upgraded to pilot production stage but this should not prove difficult and if successful there is "Poseidon like potential for the stock".

Other Australian graphite miners include current market leader **Syrah Resources, Triton, Kibaran, Uranex, Lincoln Minerals** and others.

TLG up 1.3c to 10.5c; SYR up 2c to \$3.57, TON in trading halt, last at 15c; KNL down a half cent to 17c, UNX up a half cent to 11c; LML steady at 8c.

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Citation Resources Atzam #5 among announcements likely this week ..

Oil & Gas Weekly in its report dated March 16, which includes a free Uranium stock report said among companies whose reports the market is expecting this week, **Citation Resources** is drilling the Atzam #5 well in Guatemala, which, O&G says, Argonaut Securities' analyst Dave Wall was reported as saying success could lift CTR's share price by 280% with potential upside gains of 1,150% should the well demonstrate that the Atzam Oil Field holds 20 million barrels of oil as predicted. "Well, maybe!" O&G commented.

CTR up .1c to 1.3c.

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