

Goldman Sachs Afternoon Market Report Wednesday, February 6, 2013 4:20PM

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MAJOR MARKET DATA

ASX 200	4922.30	39.6	0.81%	SPI	4885	41	0.81%
ASX High	4931.20	48.5		SPI Premium	-37.30	pts	
ASX Low	4891.20	8.5		SPI Fair Value		points	
Value	\$4.724bn			SPI Volume	19,896	contracts	
No. of Trades	995,538			\$A/\$US	1.0352	-0.0037	-0.35%
Specials	\$540mn			10 yr Bond Futures	96.50	-0.0300	-0.03%
52 Week Hi/Lows				90 Day Bills Futures	97.09	0.0200	0.02%
Momentum	534 up	424 dwn		Best Sector Today	1	Staples	1.57%
GS Mkt Value	\$624mn				2	HealthCare	1.13%
NZSE50	4211.95	0.0	-0.81%		3	Financials	0.89%
				Worst Sector Today	1	Telecoms	-0.72%
RBA Cash Rate	3.00	%			2	Info Tech	-0.14%
Bills Implied Easing	-9.00	points			3	Utilities	-0.02%

AUSTRALIAN MARKET OVERVIEW

- The ASX 200 bounced back after a +1% rebound in the US drove the market straight back up today.
- Cochlear** {\$70.00 -296.0 -4.06% } following yesterday's result & trading at a 28x PE with fears that their 65% market share could go lower due to increased completion was enough to see the stock build of yesterday's -9.3% fall. While others saw yesterday's -4% drop in **Macquarie** {\$37.25 9.0 0.24% } as an excuse to buy them given they are one of just a handful of ways (plus CPU, ASX & IRE) to play a recovery in the equity market.
- The focus now lies on 3 big results tomorrow – **Telstra** {\$4.58 -4.0 -0.87% } which should be ok & support further share price gains , **Tabcorp** {\$3.08 -3.0 -0.96% } which will be messy & could well get sold off after reporting & **NewsCorp** {\$27.49 21.0 0.77% } which has been one of my top stock picks for the last few years & I can't see why you'd be selling them yet – tomorrow's result shouldn't contain any negative surprises...
- NAB** {\$28.11 32.0 1.15% } has seen its share price rally +**19.5% for 12 straight weeks** from **\$23.20** to **\$28.13**, also I'm hearing that the retail register increased by an incredible amount over the last 3 months (I'd say its mostly due to the chase for yield & mkt recovery !!)
- The last time we saw a string of weekly rises was back in 2006, when NAB over 13 weeks **rallied +17%** from \$31.51 to **\$37.00** between 16th Dec 2005 to 10th March 2006. A month later the stock was **\$36.53** & 3 months later it was **\$34.80**, 6 mths later it was **\$36.35** but finally a year later it traded higher at **\$40.00**
- But back then there are a few differences (1) the market had already been in a **3 year bull market** vs this time we are just **8 months into it** & (2) the **RBA cash rate back then** was **5.50%** & heading up (to **6.25%** by Nov 2006) vs **now** we have RBA cash rates **at 3%** & heading to **2.25%** by Nov 2013.. So yield argument alone will support the stock from any selloff .

NAB has rallied +19.5% in the last 12 weeks straight !!

Date	Share price	% Rise
8/02/2013	2813	0.5%
1/02/2013	2800	2.8%
25/01/2013	2724	3.4%
18/01/2013	2635	3.1%
11/01/2013	2557	1.0%
4/01/2013	2531	1.2%
28/12/2012	2502	0.3%
21/12/2012	2494	1.4%
14/12/2012	2460	0.4%
7/12/2012	2450	0.8%
30/11/2012	2430	2.8%
23/11/2012	2363	1.9%
	Move	19.5%

7. So with reporting season kicking off & then accelerating over the next 3 weeks the results will now take centre stage. Many expect a poor reporting season & feel we'll have a decent selloff as the results will not match the share price increases we have seen.
8. The **12mth forward PE of the market has increased to 13.8x** and some will worry that its now at a 3% to the 10 year average.
9. So **PE expansion** has driven the market higher from **about 10.4x in June 2012 to now 13.8x** - but its hardly all done... The PE can continue to blow out as we saw back in 2003 when the PE expanded to 14.5x after a good rally in the market - despite terrible economic conditions at the time (sound familiar?)
10. What was interesting about that rally from March 2003 was that share prices rose **BUT** in the **reporting season was a poor one with downgrades** & thus many were screaming that the rally was false, a bear market rally & the fools had been sucked in (wow sounds a lot like the bears today who have been on the wrong side of the +24% rally in the last 8 months).
11. But then something happened & the PE of the market then stayed steady **between 13x & 15x** even as share prices kept going up! The reason was that after years of being in an **earnings downgrade cycle** & all the analysts thinking it would never stop – it did. In recent years here we have had industrial EPS growth of just 4% odd for the last 3 years – so we are now “conditioned” to believe that that low rate will continue.
12. It's true – that Australian stocks are no longer “cheap” so will they keep going a bit longer or are they about to get **smacked -15%** as many bears say is a certainty? Well the market can follow its 2003 example & easily see PE's expand to 15x or even higher. **Back in 2003** we saw the **PE go to 14.5x** but back then the RBA cash rate was 4.75% (and went up to 5.25% in December 2003).
13. While the RBA cash rate here now is 3% & we think its going to 2.25% by December. So its interesting to note that during periods of loosening monetary conditions, as has been happening & will continue for another 9 months, the PE ratio tends to expand and will continue to do so until monetary conditions tighten. The size of the expansion varies from cycle to cycle. But as our Quant team have worked out - the market **PE typically climbs to 15x and higher**
14. We are looking for a big 2nd half recovery in the non mining economy from 0.3% now to about 3% - now if we are right & it continues into 2014 then the earnings growth that the stock prices have “anticipated” will come through .
15. The charts below show a big bounce back in the PE of the market but **still well below the “average of 14.8x we have seen over the last 23 years”**... Back in 1997 we saw the PE of the market soar to between 17x & 19x in that period until 2000 (see PE chart just below)...
16. So if we see a recovery in the non mining economy from the 2nd ½ this year & next year then 15x doesn't seem that unreasonable ... and if that's the case we'll be seeing the market going higher during the year & market strategists

upgrading there end of year targets for the ASX 200 from 5000 to 5400... So for now its PE expansion & the earnings growth will (has to really) start coming through by the beginning of the 4th qtr to see our market march higher (+15% to +20%) by the end of 2013.

17. So as we have seen before the market will be a lot higher at the end of 2013 as many instos continue to “buy the dips” and the falls will be no greater than -5%. The instos will buy the dips, while retail will for the next 6 months continue to weigh into the high yield stocks as rates in Australia continue to head lower... Also there will be money coming back into equity market from the \$600 billion that left the equity markets over the last few years & the \$800 billion that flowed into the bond funds..
18. Ohh also – lets not forget 2013 will be a **huge (massive actually) year for M&A** & as they come through it will give the current (elevated) stock prices a solid level of VALUATION support...
19. So a big 2013 coming – there will be selloff’s – in fact I’d be surprised if we are not very close to one right now & February ends lower, but as the year progresses we’ll be fighting our way higher & higher...

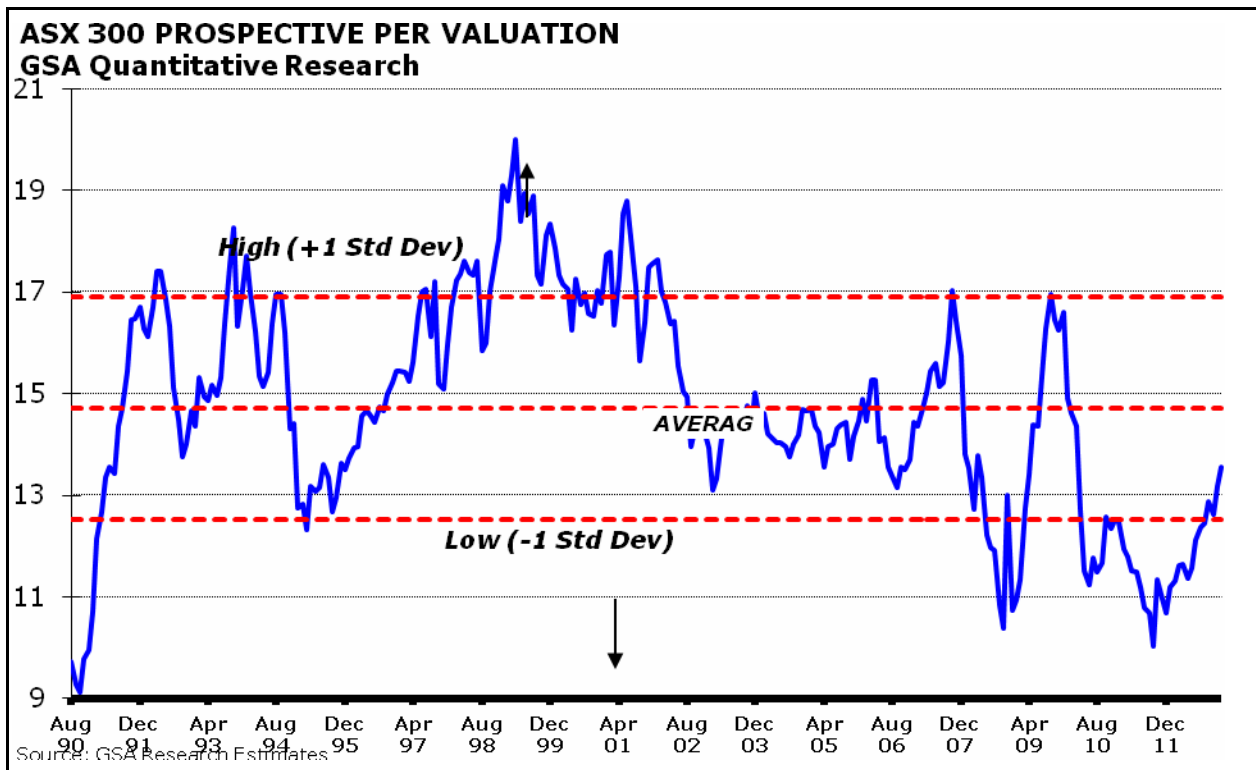
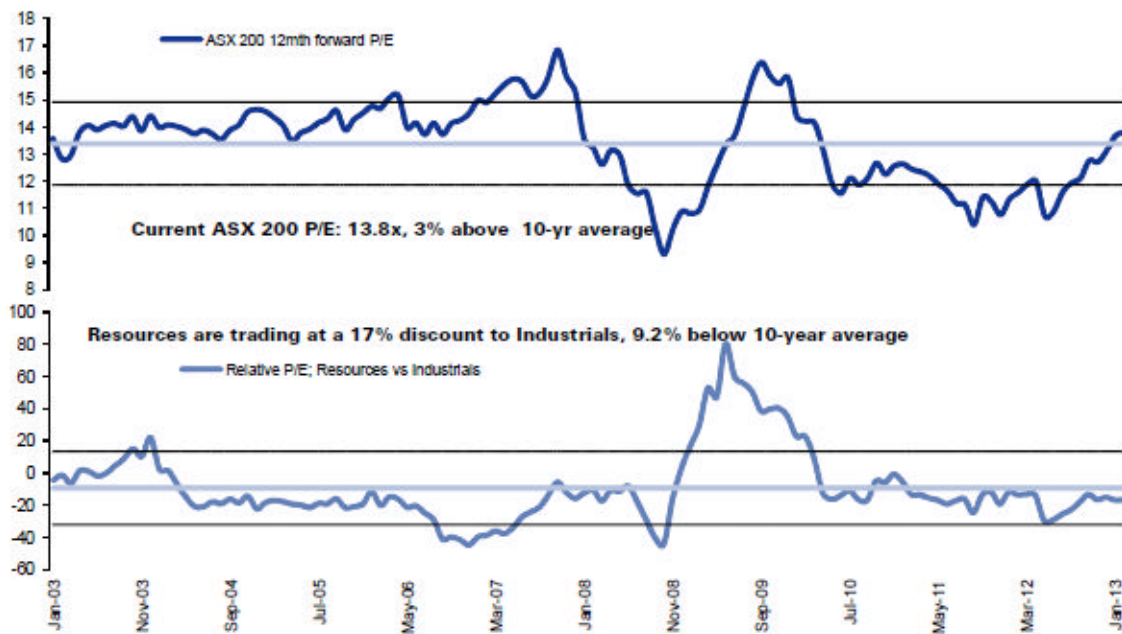


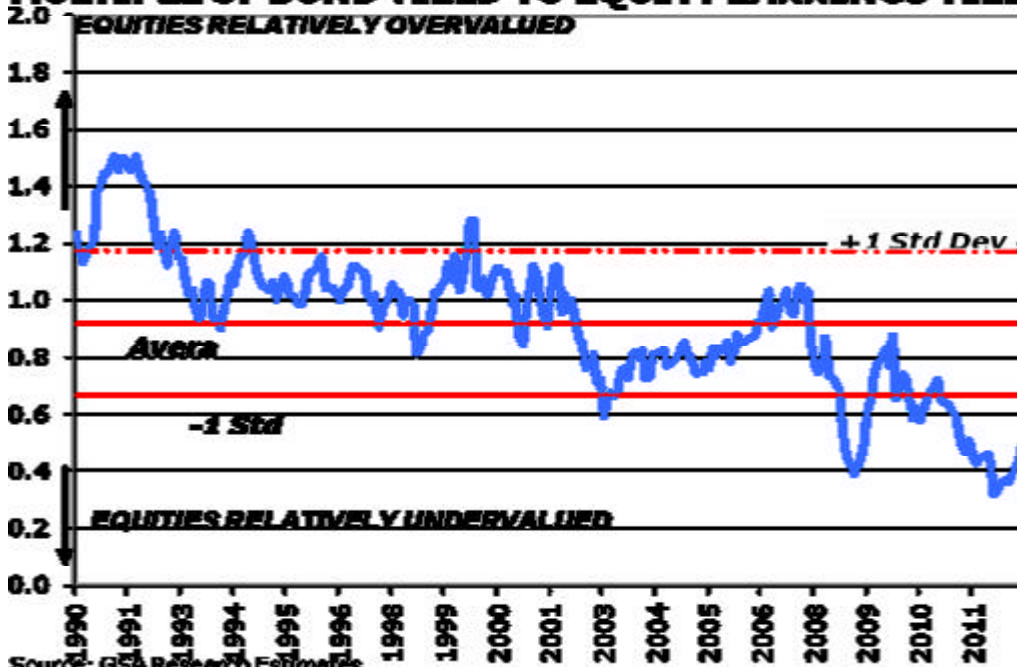
Exhibit 5: Equity market valuation: 12-month forward P/E



Source: Goldman Sachs Global ECS Research, Bloomberg.

The ASX 200 industrials – on this basis –(earnings yields vs bond yields) we are almost as cheap as we were even at the depths of the GFC in 2008/ 2009 !!

**ASX200 Industrial - VALUATION OF EQUITIES RELATIVE TO BONDS:
MULTIPLE OF BOND YIELD TO EQUITY EARNINGS YIELDS**



20. **Banks**: Result/update schedule as follows:
- 7th Feb – **NAB** 1Q update (no conference call)
 - 13th Feb – **CBA** 1H result
 - 15th Feb – **ANZ** 1Q update (not yet confirmed if will be hosting a call)
 - **WBC** not doing Qly updates any more
21. **Banks** ... **NAB** {\$28.11 32.0 1.15%}, **CBA** {\$64.63 33.0 0.51%}, **Westpac** {\$28.13 21.0 0.75%}, **ANZ** {\$27.03 39.0 1.46%}, **Bank of Queensland** {\$8.64 16.0 1.89%} **Bendigo Bank** {\$9.50 11.0 1.17%} & **Macquarie Bank** {\$37.25 9.0 0.24%}
22. **Big Retail Stocks**: today **Woolworths** {\$32.65 87.0 2.74%} **JB HI-FI** {\$10.75 52.0 5.08%}, **Harvey Norman** {\$2.10 3.0 1.45%}, **David Jones** {\$2.54 9.0 3.67%}, **Metcash** {\$3.91 11.0 2.89%}, **Myer** {\$2.54 4.0 1.60%} **Super Retail** {\$10.78 18.0 1.70%} & **Wesfarmers** {\$38.39 36.0 0.95%}
23. **Smaller Retailers**...**Kathmandu** {\$1.87 3.5 1.91%}, **The Reject Shop** {\$16.23 69.0 4.44%}, **Pacific Brands** {\$0.73 2.5 3.55%}, **Specialty Fashion** {\$0.89 1.0 1.14%} **Oroton Group** {\$7.49 3.0 0.40%}, **Billabong** {\$0.97 1.0 1.05%}, **Premier Investments** {\$7.64 18.0 2.41%} & **Fantastic Furniture** {\$3.45 0.0 0.00%}
24. **Media stocks**: **Fairfax** {\$0.52 0.5 0.97%}, **Ten Network** {\$0.31 -1.0 -3.13%}, **Seek** {\$8.58 7.0 0.82%}, **APN News** {\$0.30 0.5 1.72%}, **Prime Television** {\$1.02 2.0 2.00%}, **Southern Cross Media** {\$1.15 0.0 0.00%} **News Corp** {\$27.49 21.0 0.77%}, **Seven West Media** {\$2.30 18.0 8.49%} (SWM was *formerly* WAN) & **PMP** {\$0.17 -0.5 -2.86%}
25. **Building Materials** **Boral** {\$4.99 22.0 4.61%} **CSR** {\$2.03 1.0 0.50%} **Hardies** {\$9.74 4.0 0.41%}, **Adelaide Brighton Cement** {\$3.34 0.0 0.00%}, **Fletcher Building** {\$7.35 8.0 1.10%}, **Nuplex Industries** {\$2.70 0.0 0.00%} **Alesco** {\$1.63 0.0 0.00%}, **Brickworks** {\$12.63 12.0 0.96%} & **GWA** {\$2.52 4.0 1.61%}
26. **Financial Services / Market Related Stocks** ... **Macquarie Bank** {\$37.25 9.0 0.24%}, **QBE** {\$12.48 27.0 2.21%}, **IAG** {\$5.16 10.0 1.98%}, **Suncorp** {\$10.98 3.0 0.27%}, **Austbrokers** {\$8.80 16.0 1.85%}, **Computershare** {\$10.02 -10.0 -0.99%}, **ASX** {\$36.32 102.0 2.89%}, **Cabcharge** {\$4.82 3.0 0.63%}, **Flexigroup** {\$4.04 5.0 1.25%} **SFG Australia** {\$0.63 0.0 0.00%} & **Iress** {\$8.55 6.0 0.71%}..
- Insurance – Insurers brace for deluge of flood claims. ICA general manager says “its serious, but it won’t come close to the experience of the 2011 floods.” (Aussie)
27. **Fund managers/brokers** ... **Challenger** {\$3.82 5.0 1.33%}, **BT Investment** {\$3.07 9.0 3.02%}, **Henderson** {\$2.39 4.0 1.70%}, **Platinum Asset** {\$5.14 15.0 3.01%}, **Bell Financial** {\$0.72 1.0 1.41%}, **K2 Asset Mgt** {\$0.58 1.0 1.75%} **Wilson HTM** {\$0.37 0.0 0.00%} **AMP** {\$5.36 0.0 0.00%} **Perpetual** {\$39.16 43.0 1.11%}, **IOOF** {\$8.44 15.0 1.81%}
28. **Other domestic Industrials**: **Seven Group Holdings** {\$9.50 9.0 0.96%}, **Downer** {\$4.53 9.0 2.03%}, **Bradken** {\$6.25 0.0 0.00%}, **Leighton** {\$20.36 -9.0 -0.44%}, **Transfield** {\$1.81 -1.5 -0.82%} **Wesfarmers** {\$38.39 36.0 0.95%} **QR National** {\$4.01 1.0 0.25%} & **Asciano** {\$4.83 1.0 0.21%}
29. **Healthcare** **Ansell** {\$17.01 -28.0 -1.62%}, **Cochlear** {\$70.00 -296.0 -4.06%}, **CSL** {\$56.06 117.0 2.13%}, **Ramsay Healthcare** {\$29.81 29.0 0.98%} **Resmed** {\$4.28 0.0 0.00%} **Sonic Healthcare** {\$13.84 19.0 1.39%} **Sigma** {\$0.67 3.0 4.69%} **Fisher & Paykel Health** {\$1.93 0.0 0.00%} **Primary Healthcare** {\$4.49 0.0 0.00%}.
30. **Developers / REIT** **Westfield** {\$11.26 1.0 0.09%}, **Westfield Retail Trust** {\$3.19 2.0 0.63%} **Lend Lease** {\$10.26 5.0 0.49%}, **Leighton** {\$20.36 -9.0 -0.44%}, **Goodman** {\$4.63 2.0 0.43%}, **Investa Office Fund** {\$3.09 8.0 2.66%}, **GPT** {\$3.84 5.0 1.32%}, **Mirvac** {\$1.60 1.0 0.63%}, **Stockland** {\$3.50 0.0 0.00%}. **Dexus** {\$1.05 1.0 0.96%}, **CFX** {\$2.07 5.0 2.48%} & **CPA** {\$1.13 0.0 0.00%}
31. **Infrastructure stocks**..... **Transurban** {\$6.17 1.0 0.16%} **Sydney Airport** {\$3.20 3.0 0.95%}, **AIX** {\$3.11 1.0 0.32%}
32. **Gaming Stocks**: **Crown** {\$11.42 -12.0 -1.04%}, **Aristocrat** {\$3.63 -4.0 -1.09%}, **Tattersls** {\$3.33 1.0 0.30%}, **Tabcorp** {\$3.08 -3.0 -0.96%}, **Echo Entertainment** {\$3.62 -3.0 -0.82%} & **Sky City** {\$3.25 5.0 1.56%}
33. **Agriculture Stocks** **Fonterra** {\$5.86 2.0 0.34%} **Graincorp** {\$12.10 1.0 0.08%}, **Incitec** {\$3.23 4.0 1.25%}, **Nufarm** {\$5.57 15.0 2.77%}, **Aust Ag** {\$1.26 3.0 2.44%} **Elders** {\$0.13 0.5 4.00%}, **Ridley** {\$1.19 0.5 0.42%} & **Primeag Australia** {\$1.19 -0.5 -0.42%}

RESOURCES

Iron Ore

Iron ore port inventories in China falls further to the lowest level since end of 2007.

- The performance of iron ore port inventories in China continue to surprise positively, with data for last Friday (February 1) indicating that inventories dropped further wow. Iron ore inventories at main Chinese ports were at 66.9mn tons, equivalent to 25.4 days of consumption.
- **Inventories decreased by 3% wow and are currently -30% from the February 2012 level.** Low port inventories increase our confidence in the outlook for iron ore prices after Lunar Year holidays and during 2Q13, as it could maintain market tightness even in scenario of higher supply from Brazil/Australia.
- **We also expect Chinese ore demand to increase from March.** Historically, Chinese crude steel production tends to increase +8% in 2Q vs. 1Q.
- Another important indicator for the iron ore price outlook is Chinese iron ore inventories at steel mills, which remain at normalized levels. ([GS Research](#))

34. Resources: **Iron Ore coys.** **BHP** {\$37.52 34.0 0.91%}, **RIO** {\$68.08 75.0 1.11%}, **Mt Gibson** {\$.84 2.0 2.44%}, **Fortescue** {\$4.80 6.0 1.27%}, **Atlas Iron** {\$1.67 10.0 6.39%}, **Murchison Metals** {\$.04 0.0 0.00%}, **Northern Iron** {\$.55 4.5 9.00%} **Others...** **Alumina** {\$1.12 2.0 1.83%}, **Iluka** {\$9.56 -19.0 -1.95%}, **OZ Min** {\$7.05 11.0 1.59%} **ERA** {\$1.35 0.5 0.37%}, **Aquarius Platinum** {\$1.02 4.0 4.08%}, **Aditya Birla** {\$.48 0.0 0.00%}, **Pan Aust** {\$2.99 -1.0 -0.33%}, **Sandfire Resources** {\$7.57 -9.0 -1.17%}, **Independence Group** {\$4.85 19.0 4.08%}, **Western Areas** {\$4.54 4.0 0.89%}, **Base Resources** {\$.36 0.0 0.00%} **Lynas** {\$.61 -2.0 -3.20%}, **Mineral Deposits** {\$4.08 1.0 0.25%} & **Alkane** {\$.60 -1.5 -2.44%}
35. **Gold today ...** **Newcrest** {\$23.26 -37.0 -1.57%}, **Kingsgate** {\$3.97 -3.0 -0.75%}, **St Barbara** {\$1.42 -3.5 -2.41%}, **Resolute** {\$1.31 -4.0 -2.97%}, **Alacer** {\$4.28 1.0 0.23%}, **Evolution Mining** {\$1.51 -1.5 -0.99%} **Teranga Gold** {\$1.73 0.5 0.29%}, **Regis Resources** {\$5.06 4.0 0.80%} **Perseus** {\$1.90 -3.5 -1.81%}, **OceanaGold** {\$2.59 -3.0 -1.15%}, **Medusa Mining** {\$4.69 -7.0 -1.47%}
36. **Coal Stocks:** **Whitehaven Coal** {\$3.19 -1.0 -0.31%}, **Cockatoo Coal** {\$.12 0.0 0.00%}, **Bathurst Resources** {\$.39 0.0 0.00%} **Guildford Coal** {\$.42 -1.5 -3.49%}
37. **Mining Services:** **Bradken** {\$6.25 0.0 0.00%}, **Monadelphous** {\$25.72 -41.0 -1.57%}, **United Group** {\$10.99 4.0 0.37%}, **Orica** {\$26.67 34.0 1.29%}, **Downer** {\$4.53 9.0 2.03%}, **Worley** {\$25.32 18.0 0.72%}, **Calibre** {\$1.55 -5.5 -3.44%}, **Imdex** {\$1.74 -1.0 -0.57%}, **Seven Group Holdings** {\$9.50 9.0 0.96%}, **Emeco** {\$.59 -0.5 -0.85%}, **WDS** {\$.55 -3.0 -5.17%}, **Sedgman** {\$1.00 0.0 0.00%}, **Ausenco** {\$3.49 2.0 0.58%} **Matrix Composites & Engineering** {\$1.87 -0.5 -0.27%} & **Norfolk** {\$.49 1.5 3.19%}
38. **Steel Stocks:** **Bluescope** {\$3.58 7.0 1.99%}, **Arrium** {\$.94 0.5 0.53%} – this was formerly **Onesteel & Sims metals** {\$9.95 30.0 3.11%}
39. **Energy Stocks ...** **Woodside** {\$35.05 15.0 0.43%}, **Santos** {\$12.10 24.0 2.02%}, **Roc Oil** {\$.58 5.0 9.43%}, **Tap Oil** {\$.67 0.0 0.00%}, **Beach Petroleum** {\$1.36 0.5 0.37%}, **Origin** {\$12.60 4.0 0.32%}, **Oilsearch** {\$7.45 21.0 2.90%}, **Caltex** {\$19.55 21.0 1.09%} & **Drillsearch** {\$1.26 -2.0 -1.56%}, **Senex** {\$.63 -2.5 -3.82%} **Karoon** {\$6.33 0.0 0.00%} & **AWE** {\$1.32 3.0 2.33%}
40. **Travel & Transport related stocks,** **Flight Centre** {\$31.00 26.0 0.85%}, **Wotif** {\$5.70 -2.0 -0.35%}, **Webjet.com** {\$4.97 -2.0 -0.40%}, **Sydney Airport** {\$3.20 3.0 0.95%} **Virgin** {\$.45 2.0 4.65%}
41. **Transport related stocks :** **Asciano** {\$4.83 1.0 0.21%}, **Toll Holdings** {\$5.25 -8.0 -1.50%}, **Qantas** {\$1.55 1.0 0.65%}, **Virgin** {\$.45 2.0 4.65%}, **Brambles** {\$8.09 7.0 0.87%}.
42. **Uranium Stocks...** **ERA** {\$1.35 0.5 0.37%}, **Paladin** {\$1.10 -1.0 -0.90%}, **Deep Yellow** {\$.07 -0.2 -2.86%}, **Marathon Resources** {\$.07 0.0 0.00%}, **Bannerman Resources** {\$.12 0.0 0.00%}, **Eromanga Uranium** {\$.01 0.0 0.00%}, **Energy Metals** {\$.30 0.0 0.00%}

Is the Japanese market about to break a 20 year downtrend ??

- With the big rally in Japanese banks, rallying +35% in the last 2 months it looks like the 20 year downtrend in Japanese mkt may have finally been broken



Source Bloom & GS's Fred Grunberger

Chinese market breaking out ??

- The Chinese new year is just over a week away, then the new parliament in March and all of a sudden it might not be completely impossible to expect an assault on the 4 year downtrend by then ..



Source Bloom & GS's Fred Grunberger

OTHER

- ◆ RBA: Some taking RBA comments as **indicating rate cuts may be close to an end** with focus on increased spending on durable goods such as cars, rising house prices and higher risk investments (AFR)
- ◆ RBA: The RBA has entered the contentious bank funding cost debate by suggesting banks should be able to pass on more of any future rate cuts (Aust)
- ◆ Coal: US coal coys Alpha Natural and Arch Coal are challenging Australia's dominance in the Asian market telling buyers they are becoming more competitive and will deliver cheaper coal to meet the regions demands (AFR)
- ◆ Golds: The merger of PMI Gold and Keegan could become a template for the long awaited consolidation in the West African gold space. (Aust)
- ◆ The latest opinion poll has shown a significant fall in the Australian Labor Party's primary vote to 32 percent, while the Federal Opposition's support has risen by four percentage points to 48%. Prime Minister Julia Gillard's rating as preferred Prime Minister has also plunged to 41% from 45%, while Opposition Leader Tony Abbott's approval rating has increased to 39% from 33%.

RISES

1. **Transurban** {\$6.17 1.0 0.16%} No change to our Buy rating. In our view, the stock offers an attractive FY14 yield of 5.5%, coupled with a strong growth profile on the back of recent expansion projects and an improvement in economic conditions (FY13-16e DPS CAGR c.9%). However, like a number of its peers across the infrastructure and utilities sector, TCL is trading broadly in line with our DCF valuation. As such, we suspect that the absolute share price upside is limited, particularly if investors look to increase cyclical exposure.
2. **ASX** {\$36.32 102.0 2.89%} We have reviewed ASX's activity/turnover data for January. (i) Equities: Value traded was A\$3.7 bn/day, up 2% on December and up 1% on pcp. Velocity was 79% (vs. 79% in December, 77% pcp). Chi-X market share was 11%-12% (up from 9% in December). (ii) Futures: Volumes were up 29% on pcp. With the stock having run up hard in recent times, we see it as fully valued (16.6X FY14E, dividend yield down to 5.0%). Noting that ASX's EPS leverage to stronger markets is a lot lower than its peers. Hold.
3. **Lend Lease** {\$10.26 5.0 0.49%} Our house view has very recently become more positive on the outlook for US non-residential construction which would be positive for LLC's US construction earnings, which have been break even (ex Actus). We believe catalysts remain positive and see upside risk to our estimates in FY13-16 driven by possible profits on the potential sale of Bluewater Shopping Centre, and apartment earnings potential from controlled projects. As such we **retain our Conviction Buy**. Our higher SOTP brings it more in line with our **DCF and raises our 12M price target by 14% to A\$10.65** due to our 50:50 DCF/SOTP methodology.
4. **Stockland** {\$3.50 0.0 0.00%} Simon Property Group reported 4Q12 FFO of \$2.29, which was \$0.12 above consensus (\$2.17). Full-year 2012 FFO was \$7.98, a 15.8% increase compared to 2011. SPG introduced 2013 FFO guidance in a range of \$8.40-\$8.50. Considering SPG has guided low to final results in the past (SPG beat its original 2012 guidance midpoint by 10%), we expect the consensus estimate will move past SPG's initial guidance, and we believe SPG guidance will increase over the year. We believe guidance and consensus increases will create a catalyst for the stock to trade higher. **(GS Research)**
5. **Macquarie** {\$37.25 9.0 0.24%} Nicholas Moore has affirmed the bank's commitment to its loss making investment banking unit despite weak capital markets (Aust)
6. **Qantas** {\$1.55 1.0 0.65%} Cathay Pacific and other international carriers operating in Australia will look at strategies to pick up disaffected Qantas passengers who still want to transit via Asia on their way to Europe (AFR)
7. **Tattersall's** {\$3.33 1.0 0.30%} A potential securitization of tax revenue from NSW lotteries may be back on the agenda (Street talk)
8. **CBA** {\$64.63 33.0 0.51%} Speculation the CBA could be interested in buying Rabobank's Indonesian rural banking arm (street talk)
9. **NAB** {\$28.11 32.0 1.15%} NAB's UK problems could deepen with spec they could be forced to payout as much as GBP330m in compensation to settle mis-selling claims (AFR)
10. **Macmahon Holdings** {\$3.31 2.0 6.90%} Ross Carroll, chief executive of Macmahon Holdings yesterday pledged to "underpromise and overdeliver" after the company endured a horror 12 months that saw its market

worth plunge by more than \$150 million. Macmahon has enjoyed a resurgence of late, winning contracts relating to miner Tropicana's \$900 million gold project and Fortescue Metals Group's A\$1.8 billion Christmas Creek iron ore venture

11. **CSL** {\$56.06 117.0 2.13%} US competition. German peer Biotest has launched its 10% liquid IVIG product Bivigam in the US. The product is approved for treatment in Primary Immunodeficiency (PID) patients.
12. **Ansell** {\$17.01 -28.0 -1.62%} Church & Dwight. Consumer products peer Church & Dwight noted at its 4Q12 result that its market leading **Trojan brand continues to grow well** in the US through various product expansions in the sexual health category.
13. **Aquarius Platinum** {\$1.02 4.0 4.08%} Platinum futures rose to a 17-week high on mounting concern that global demand may outpace supplies. The platinum industry is "in crisis," Anglo American Plc Chief Executive Officer Cynthia Carroll said . platinum closed at \$1707.20, +\$9.10
14. **News Corp** {\$27.49 21.0 0.77%} **2Q13 preview.** We anticipate a flat quarter due to timing of costs. Result date. Thursday 7 February, at 8:00 am. **What we expect,** Sales: US\$9,202 mn (Bloomberg Consensus US\$9,264 mn), EBIT (Operating Income): US\$1,600 mn (Consensus US\$1,622.5 mn), NPAT: US\$1,019 mn (Consensus US\$1,008 mn). EPS: US43.2¢ (Consensus 42.5¢). Look out for **Cable Networks** (EBIT US\$930 mn): We expect modest growth of +5.4% in Q2 (vs. +23% Q1) largely due to a timing difference in recognizing programming costs. We forecast 16% growth for FY13. **Television** (EBIT US\$275 mn): We expect TV growth of 45% in 2Q13 due to a lift in retransmission revenues and a boost from political ad spend. Partly offsetting this will be the disappointing ratings for FOX in 2Q13 (-29% yoy). **Film** (EBIT US\$330 mn): We expect film to be down 16% largely due to the timing of releases in the pcp. In FY13 we forecast growth of 3.8%. **Sky Italia** (EBIT -US\$20 mn): We anticipate 2Q13 will be the first quarter of negative operating income since 2Q11 due to incurring c.US\$30 mn in Champions League programming costs this quarter. **FY13 Guidance:** We expect the company to reiterate its FY13 guidance of "high-single to low-double-digit" operating income growth. We forecast 10.4% growth for FY13. **Buyback update:** We expect management to reconfirm intentions to buyback a total of US\$10bn, However, we note the current run rate is below our FY13 forecast of GSe US\$3.5 bn in stock buybacks. Briefing details. Conference call: 8:30 am. Dial-in: 0011 1 612 234-9959; "NEWS

FALLS

1. **Macquarie** {\$37.25 9.0 0.24%} We have made the following EPS changes: FY13E -2.3%, FY14E -4.3%, and FY15E -2.6%. While our estimates reflect upgrades to revenue (about 1%-2% across FY13-FY15), this has been more than offset by an increase in our tax rate assumptions (FY13E 31%, was 28.6%) based on a slower shift in revenue mix toward Asia-Pacific. We note our compensation ratio remains largely unchanged in FY13E (46.2%), broadly in line with historical trends. We have retained our Neutral rating.
2. **Cochlear** {\$70.00 -296.0 -4.06%} We have made small reductions to our EPS estimates (-1.8%/-0.5%/-0.1% in FY13/FY14/FY15). We have updated our 1H/2H FY13 assumptions for Chinese tender sales and make small reductions to our unit volumes in FY14E/FY15E which are offset by slightly lower R&D/sales. Our 12-month price target (25x 1 year fwd P/E on spot FX ex-hedging gains) is unchanged at A\$65.00. Given that Cochlear is a market leader in a sector with long-term growth potential and makes high returns, we remain Neutral-rated.
3. **Resmed** {\$4.28 0.0 0.00%} Director securities trading Recent SEC filings show that post the recent RMD result, Peter Farrell the Chairman and CEO, exercised 400,000 options at a strike price of US\$23/share and then sold the newly issued shares on-market in the US at US\$47/share (making a pre-tax gain of nearly US\$10mn). The options had been exercisable since 2007 and were due to lapse in October this year. Mr Farrell retains a further 620,000 options over RMD shares.

ASX 100 MOVERS TODAY

<u>Stock</u>	<u>Last</u>	<u>+/-</u>	<u>% Change</u>		<u>Stock</u>	<u>Last</u>	<u>+/-</u>	<u>% Change</u>
SWM	228.5	16.5	7.78		COH	7002	-294	-4.03
AGO	166.75	10.25	6.55		LYC	60.25	-2.25	-3.6
JBH	1076	53	5.18		PRU	188.75	-4.25	-2.2
BLD	500	23	4.82		ILU	956	-19	-1.95

SGM	999	34	3.52
DJS	253	8	3.27
OSH	746.5	22.5	3.11
ASX	3628.5	98.5	2.79
WOW	3259	81	2.55
IOF	308.5	7.5	2.49
ALQ	1156	28	2.48
CFX	207	5	2.48
MTS	389	9	2.37
CSL	5613	124	2.26
QBE	1247	26	2.13
IAG	516.5	10.5	2.08
STO	1210	24	2.02
BOQ	865	17	2
GPT	386	7	1.85
MYR	254.5	4.5	1.8
BSL	357	6	1.71
HVN	210.5	3.5	1.69
DXS	105.75	1.75	1.68
CGF	383	6	1.59

MND	2566	-47	-1.8
ANN	1699	-30	-1.74
TOL	524.5	-8.5	-1.59
TWE	492.5	-7.5	-1.5
CRF	230.5	-3.5	-1.5
NCM	2334	-29	-1.23
EGP	361	-4	-1.1
CPU	1002	-10	-0.99
TAH	308	-3	-0.96
PDN	110	-1	-0.9
APA	577	-5	-0.86
BLY	191	-1.5	-0.78
TLS	458.5	-3.5	-0.76
ARI	93	-0.5	-0.53
SKI	169.75	-0.75	-0.44
CWN	1149.5	-4.5	-0.39
PNA	299	-1	-0.33
LEI	2039	-6	-0.29
SPN	118.25	-0.25	-0.21
WHC	319.5	-0.5	-0.16

Economic

Retail Trade: Signs of traction from monetary easing have not yet reached the retail sector

Key numbers:

Nominal Retail sales, Dec: -0.3% mom, +2.3% yoy; (Bloomberg consensus: +0.3% mom; GS: +0.2% mom):

Sales Volumes, Dec qtr: +0.1% qoq, +2.6% yoy (Bloomberg consensus: +0.3% qoq; GS: +0.7% qoq):

Sales prices, Dec qtr: 0.0% qoq, 0.0% yoy

Bottom Line: The December retail sales report was clearly on the weak side. Downside surprises in both the nominal monthly and quarterly volume outcomes were compounded by downward revisions to recent data. Even with prices flat over the past 12 months (which all things being equal boosts purchasing power), sales volumes still look soft, particularly if the food category is excluded. Though the RBA suggested monetary easing is now starting to have an impact, this has not yet reached the retail sector.

Main Points:

1. Annual nominal sales growth slowed to just 2.3% yoy in December and 0.9% yoy excluding food retailing. In trend terms, sales momentum now appears negative.
2. By component, sales were particularly soft in the month of December itself in the 'other retailing' category (-2.8% mom). Annual growth remains strongest for cafes & restaurants (+5.3% yoy) and food retailing (+4.4% yoy).
3. The price index remains flat over the year, with ongoing deflation in the import dependent components (household goods, clothing, department stores etc) offsetting positive inflation in the domestically generated sectors (food retailing and cafes food and restaurants). Even in the case of the latter, however, price growth is historically benign.
4. Given soft prices, sales volumes growth of 2.6% yoy is not as weak as the nominal retail sales data, but still below longer-run averages.
5. By component, sales volumes are evenly spread with the main source of weakness being household good retailing (0.0% yoy).

Consumer Outlook: While we do believe that the RBA's easing cycle will eventually be quite supportive of household spending, today's data reinforces our fundamental view that it is still too early to get upbeat on the outlook for consumer spending. This owes essentially to several key headwinds which are unlikely to dissipate in the near term, including: (1) uncertainty about job security and still fragile consumer sentiment; (2) slower income growth; (3) the rising cost for essential items (e.g., energy); (4) and the fact that household wealth has taken a meaningful hit over recent years which has seen gearing ratios rise.

Monetary Policy: We continue to expect that growth will disappoint the RBA's current forecast and expect 75bp of further easing is likely in 2013.

Retail sales volumes boosted by weak inflation but still modest

Source: Australian Bureau of Statistics.

Household good retailing is weak in volume terms

Source: Australian Bureau of Statistics, Iress.

Key data

Source: Australian Bureau of Statistics.

Key data

Source: Australian Bureau of Statistics.

Companies Reporting Tomorrow

Code	GS	Market	DPS
ALZ ¹	\$140.1m	n/a	21.5¢
FXL	\$33.5m	n/a	6.5¢
NWS ²	US\$1,019m	US\$1,008m	US10.0¢
TAH	\$94.0m	\$93.0m	10.0¢
TLS	\$1,563.5m	\$1,603.0m	14.0¢

¹ CY12

² 2Q13

Dividends / Events Tonight & Tomorrow

Economic	GS	Mkt	Prev
Employment Jan	0	+6,000	-5,500
Unemployment Rate Jan	5.5%	5.5%	5.4%

Trading Update NAB (1Q13)

Data Release Seek Employment Index - January

US Companies Reporting Time Warner Inc. (4Q12)

ASX SECTORS

Media

REA Group Ltd {\$21.71 71.0 3.38%} - **First Take: 1H13 results – EBITDA +3.6% ahead**

News

REA 1H13 sales/EBITDA/NPAT A\$161.4mn/A\$77.7mn/A\$51.6mn, +2.3%/+3.6%/+1.4% vs. GS estimates A\$157.8mn/A\$75.0mn/A\$50.9mn. Interim fully franked dividend A16.0¢ vs. GSe A16.1¢.

No outlook comments, which is consistent with company practice.

Analysis

NPAT (pre-NRI): A\$51.6mn vs. GSe A\$50.9mn.

EPS (pre-NRI): A39.2¢ vs. GSe A38.6¢.

DPS: Interim A16.0¢ (100% franked) vs. GSe A16.1¢.

Revenue: Up 19.9% to A\$161.4mn vs. GSe A\$157.8mn.

EBITDA: Up 29.7% to A\$77.7mn vs. GSe A\$75.0mn.

Operating costs: Up 12.0% to A\$83.7mn vs. GSe A\$82.8mn.

GOCF: Up 39.8% to A\$74.2mn= 95.5% of EBITDA, vs. the pcp 89.6%.

Business segments:

Australia: EBITDA up 24.8% to A\$77.5mn vs. GSe A\$76.5mn.

Italy: Up 343.5% to A\$1.3mn vs. GSe A\$1.2mn.

Other International: Up 56.6% to A\$1.4mn vs. GSe A\$1.1mn.

Implications

Our earnings estimates and price target are under review.

Healthcare

Primary Health Care Limited {\$4.49 0.0 0.00%} - **Result summary table**

A solid result with NPAT and EPS 3% ahead of our forecast and consensus.

By division, EBITDA from medical centres and pathology were broadly in-line. Imaging/radiology was stronger than expected.

Dividend was stronger than we expected at A6.5cps vs. GSe at A6cps.

Net debt was lower by almost A\$10mn from June last year to A\$1,057mn.

FY13 EPS and EBITDA guidance reaffirmed i.e. 20%-25% EPS growth and EBITDA in the range of A\$370-380mn.

Materials & Energy

Bluescope Steel Limited {\$3.58 7.0 1.99%} & **Arrium Limited** {\$0.94 0.5 0.53%} - **Customs puts in place preliminary duties on metal coated steel**

According to press reports (*The Australian*, 6 February), the Australian Customs and Border Protection Service has made a preliminary finding that Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel from China, Korea and Taiwan has been exported to Australia at dumped prices (dumping margins ranging from c.<2% to c.55%) and that this has caused material injury to the Australian industry (particularly BSL).

As a result and to prevent further material injury while the investigation continues, Customs and Border Protection will put in place interim duties on Zinc Coated (Galvanised) Steel and Aluminium Zinc Coated Steel exports from China, Korea and Taiwan, effective from 6 February 2013 (we understand the duties apply to orders placed from this date and therefore do not apply to shipments arriving after 6 February that were ordered prior to that date). At this stage dumping securities will not be taken from selected mills in Korea, Taiwan and China. The Australian Customs and Border Protection Service final recommendations are to be reported to the Minister for Home Affairs by 16 March 2013.

Goldman Sachs comment

This follows the preliminary findings and duties announced for HRC in October 2012. It has previously been suggested that dumping has cost BSL c.A\$100m in lost revenue (AFR 17 January 2013). These duties are likely to go some way towards offsetting the impact of dumped HRC/Zinc Coated/Al Zinc Coated steel going forward and as such we view it as an incremental positive for the Australian steel industry. However, the ultimate effectiveness of the duties will depend on 1) the extent to which other avenues of cheap steel supply open up and 2) the ultimate duty applied to the major exporting mills.

SUBSTANTIAL SHAREHOLDER CHANGES – 6 February 2013

Company	Shareholder	Change	Previous Holding	New Holding
Aristocrat Leisure Limited	Commonwealth Bank	Increased	6.45%	8.02%
Billabong International	TIAA-CREF Investment Mgt	Became	-	5.16%
Cochlear Limited	Capital Group Companies	Reduced	6.7022%	5.6587%
CSR Limited	UBS AG	Became	-	6.34%
JB Hi-Fi Limited	UBS AG	Became	-	5.02%
Teranga Gold Corporation	Commonwealth Bank	Increased	5.01%	6.09%
Western Areas	Commonwealth Bank	Reduced	9.78%	8.78%

DIRECTORS' INTEREST NOTICES – 6 February 2013

Company	Shareholder	Change	Previous Holding	New Holding
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Drillsearch Energy Limited	James David mcKerlie	Increased	1,233,265	1,308,265
Drillsearch Energy Limited	Bradley William Lingo	Increased	106,375	121,375
Evolution Mining Limited	Jacob Klein	Increased	5,750,000	5,800,000

Note: Includes Goldman Sachs Australia / New Zealand covered stocks only

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