

Overseas Market Report -US Stocks Rise

The stock market crept higher, boosted by a gain in the financial sector despite the grilling that officials from Wall Street's biggest banks came in for in Washington.

The health-care sector was also a market leader after Credit Suisse upgraded bellwether Merck to outperform from neutral. But energy stocks were laggards, hurt by a retreat in oil prices below \$80 a barrel due to data showing a surprisingly large rise in U.S. inventories of crude.

The Dow Jones Industrial Average recently edged up 69 points, or 0.7%, to 10696, led by a 4.1% gain in Merck to \$39. The S&P 500 was up 1% to 1147, led by gains of more than 1% each in financials and health care. Telecommunications was the only category in the broad index trading lower, off 0.4%.

The Nasdaq Composite Index climbed 1.3% to 2311. It was helped by a 1.9% gain to \$21 in Intel ahead of the chip maker's earnings report due after Thursday's close. However, the Nasdaq's gains were limited by a 0.5% decline to \$587 in component Google after the Internet giant threatened to pull out of China, complaining of online security breaches targeting human-rights protesters.

Investors paid close attention to testimony from the chief executives of Bank of America, J.P. Morgan Chase and Goldman Sachs Group, along with Morgan Stanley's chairman, before a special federal commission investigating the causes of the recent U.S. financial crisis. All four banks were trading higher recently. Bank of America rose 2% to \$16.70 and J.P. Morgan rose 2% to \$44.43. Morgan Stanley was up 0.5% to \$31 and Goldman Sachs gained 0.7% to \$169. Many participants are looking ahead to a strong earnings season from the banks, beginning with J.P. Morgan's report due Friday.

For Australian ADRs listed on the NYSE, BHP Billiton rose 80 cents (1.01%) to \$79.77. Rio Tinto Plc firmed \$6.17 (2.7%) to \$234.32. ResMed gained 75 cents (1.46%) to \$52.19. Telstra Corporation increased 20 cents (1.31%) to \$15.42. Telecom Corporation of NZ remained unchanged at \$9.33 and Westpac improved \$2.43 (2.14%) to \$116.05.

In economic news, the Federal Reserve's beige book of regional economic indicators suggested modest improvement in the US economy, though activity remains low in historic terms.

Treasury prices were lower Wednesday afternoon despite solid demand on a \$21bn 10-year note auction as investors prepare for Thursday's \$13bn 30-year bond sale. At 7.30AM (AEST) the 10-year Treasury note fell 5.3 basis points to yield 3.78%.

European shares closed up for the first time in three

sessions Wednesday, as gains for technology stocks helped offset jitters about banking-sector earnings.

The pan-European Dow Jones Stoxx 600 index rose 0.3% to 257.10. The German DAX index rose 0.3% to 5,963.14, while the French CAC-40 index traded flat at 4,000.86 and the U.K. FTSE 100 index closed down 0.5% to 5,473.48.

Infineon Technologies boosted the technology sector Wednesday with a 3.2% increase after it was upgraded to neutral from reduce at Nomura International to reflect strong automotive and multimarket fundamentals.

Dutch chip-equipment firm ASML Holding also benefited from a positive analyst note Wednesday, with their shares rising 1.7% on the Euronext Amsterdam exchange after Goldman upgraded the company to buy from hold.

On the FTSE 100, Rio Tinto shed 19.00 pence (0.53%) to 3,573.03 pence and BHP Billiton lost 13.50 pence (0.66%) to 2,052.34 pence.

Asian stock markets ended lower Wednesday as The People's Bank of China's move Tuesday to rein in excessive credit creation raised concerns that further monetary tightening measures may be in the works.

Japan's Nikkei 225 Average declined 1.3%, the Shanghai Composite index slumped 3.1% to 3172.66 and a slump in mainland shares dragged Hong Kong's Hang Seng Index 2.6% lower, while the Hang Seng China Enterprises Index, an index of several large-capital Chinese stocks listed in Hong Kong, fell 3.7%.

Chinese banks were sharply lower on the PBOC's decision, with property developers also dropping on fears the central bank's move would put the brakes on bank lending, making it harder for developers to obtain loans.

New Zealand shares were only lightly scathed Wednesday as other Asian stock markets were more heavily weighed down by Wall Street's decline and the influence of China's central bank move toward tighter policy. The NZX-50 Index closed down 0.4%, at 3,276.20.

Base metals on the LME finished up. Aluminium rose \$40 (1.77%) to \$2,300 while copper firmed \$162 (2.20%) to \$7,490 and nickel added \$700 (3.99%) to \$18,250. Zinc strengthened \$70 (2.86%) to \$2,515 and lead gained \$82 (3.43%) to \$2,475. Comex copper was last quoted at 342.85 US cents per pound.

Gold futures finished a volatile session higher as the US dollar eased slightly, with the metal making several big swings in reaction to moves in outside markets while awaiting a series of major US economic reports. Spot gold was last quoted at \$1,138.05. Comex gold futures climbed

\$7.00 (0.62%) to \$1,136.40. Spot silver was last quoted at \$18.59.

Crude futures fell Wednesday after the latest U.S. oil and fuel inventory data reversed the recent trend of tightening supplies that had helped send oil prices to a 15-month high last week. West Texas Intermediate was last quoted at US\$80.08 per barrel.

The dollar declined broadly Wednesday as a Federal Reserve survey showed the US economy is inching toward

Equities	Close	% change	Commodities	US\$	Close	Change
Dow Jones (US)	10681	0.50	Aluminium	US\$/t 3mth	2300	3
S&P 500	1146	0.84	Copper	US\$/t 3mth	7490	-37
NASDAQ	1886	1.30	Nickel	US\$/t 3mth	18250	0
FTSE 100 Index	5473	-0.46	Gold	US\$/oz	1138.05	--
Nikkei 225 (Japan)	10735	-1.30	Oil	US\$/bbl	80.08	--

Australian Market Report -Positive Close in US Market May Support Local Open

January's rising employment indicators help to build confidence in the local market

Transurban (TCL)

Transurban said that its share of revenue across its portfolio of seven toll roads during the three months to December rose 5.3% as traffic increased across all of its Australian assets. Transurban said its second quarter proportional toll revenue of \$209.2m was underpinned by a 5.7% increase in revenue and 0.4% increase in average daily trips on its key Citylink road in Melbourne. TCL dipped 1 cent (0.18%) to \$5.50.

WorleyParsons (WOR)

WorleyParsons cut its full-year earnings guidance after its power operations were hit by uncertainty over how governments may combat climate change. The company said it expects net profit for the year to June 30 to be between \$280m and \$320m, down from its October forecast of \$320m to \$350m. "Power operations, particularly in the US, have been adversely affected by decreased demand and increased legislative uncertainty concerning the treatment of carbon," WorleyParsons said. WOR fell \$3.36 (11.45%) to \$25.99.

Qantas (QAN)

Official media reported that top managers at Jetstar Pacific violated maintenance regulations. The Civil Aviation Administration of Vietnam ruled that three officials made mistakes in monitoring maintenance work and hadn't fulfilled the company's commitment to safety, Vietnam News Agency said. It identified the managers as former general director Luong Hoai Nam and two foreigners who headed the airline's maintenance and technical quality sections. It didn't say where the foreigners were from. "Key JPA executives have to take responsibility for these systematic mistakes," the report quoted the CAAV as saying. The CAAV demanded Jetstar Pacific restructure its quality supervision system, the report added. Qantas said Friday that two of its senior executives have been ordered not to leave Vietnam as they help authorities explain how Jetstar Pacific lost US\$31m in

recovery but still facing enough challenges for investors to believe key interest rates will remain low.

At 07:30 AM (AET) the US dollar was quoted at 0.6893 euros, 91.45 yen 1.08 AUD and 61.41 pence.

fuel hedging. QAN rose 1 cent (0.34%) to \$2.95.

Energy Resources (ERA)

Energy Resources said its fourth quarter uranium output fell 30% from a year earlier due to lower grades at its Ranger mine in Australia's Northern Territory. ERA said it expects lower average head grades to continue in the first half of 2010 before an improvement in grades in the second half. Chief Financial Officer Steeve Thibeault said it was normal for grades to fluctuate and that the company was very pleased with the strong milling rates and improved plant recoveries seen during the quarter. Full year production fell 2% on year to 5,240 tonnes but sales rose 4% to 5,497 tonnes as the company drew on stockpiled ore. Thibeault would not be drawn on the short term outlook for uranium prices but said the longer term trend was positive. ERA dropped 64 cents (2.79%) to \$22.27.

Navitas (NVT)

Navitas said that it has secured agreements to provide its university pathway and pre-masters programs at two campuses of the University of Massachusetts. The collaboration came just one day after it announced its partnership with Western Kentucky University (WKU). "The University of Massachusetts has a reputation for academic excellence and shares our commitment to providing the highest possible standards of teaching and student support," said Navitas Chief Executive Rod Jones. Like the agreement with WKU, Navitas expects the colleges to break-even within 18 months of opening and the firm will have access to the universities' teaching, accommodation and administration facilities. NVT increased 6 cents (1.46%) to \$4.16.

Iress (IRE)

Iress Market Technology announced a long term co-location agreement with TMX Group. With this new agreement, the company's market data, trading and best market router platforms will continue to be hosted within TMX Group's primary data centre until 2014, and will provide its customers with maximum speed and capability for trades on the Toronto Stock Exchange and TSX Venture Exchange. IRE gained 18

cents (2.09%) to \$8.78.

Equities/Fixed Interest	Close	% change	Currency	Close	% change
All Ordinaries	4900	--	AUD/USD	0.9241	0.49
S&P/ASX 200	4868	--	AUD/GBP	0.5674	-0.26
10-year Bond Rate	--	--	AUD/YEN	84.51	0.98
			AUD/EUR	0.6368	0.30
			AUD/NZD	1.2482	0.27

ASX Top 300 Equities Research

Industrial

The MAC Services Group Limited (MSL)

Pick of the bunch

Accumulate **2.110**

Event

The ongoing recovery in commodity prices from last year's lows brings an air of confidence to the whole mining services sector, with many share prices recovering and some hitting all-time highs.

MSL remains one of our preferred exposures in the mining accommodation space, where competitors have recently experienced mixed results.

Impact

Portable accommodation provider Fleetwood (FWD) notes higher tender activity but intense competition. Meanwhile, MSL's other industry peer Nomad Building Solutions (NOD) this week issued its second consecutive profit downgrade, despite market conditions broadly improving. NOD now expects to make a loss in FY10 despite revenue around \$250m.

NOD's problems come despite successfully securing work at the lucrative Gorgon Gas project. Its business model is more construction-focused, which differs from MSL who tends to construct and operate villages as a going concern. This makes MSL's cash flow relatively stable, with forward bookings providing a good sense of earnings certainty.

We think the trend towards outsourcing will continue over the next few years as construction companies struggle to cope with demand for accommodation. NOD's problems reinforce MSL's competitive advantage. We don't necessarily think MSL is interested in acquiring NOD, but there could be opportunities to pick up dissatisfied customers, particularly on future tenders.

MSL's flagship Coppabella villages recently received a large capital injection for new sports and leisure facilities, as well as for major upgrades to its infrastructure and support structures. Better facilities and a more pleasurable accommodation environment, in such remote areas, helps justify price increases by MSL.

Our FY10 and FY11 EPS estimates revise slightly to 15cps and 17.6cps respectively. No changes to our \$2.55 DCF

valuation at this stage.

FYE Jun		2008A	2009A	2010E	2011E
Reported Npat	\$m	18.30	23.80	24.40	29.80
EPS	c	12.50	14.90	15.00	17.60
P/E	x	21.90	9.90	14.10	12.00
EPS Growth	%	17.90	19.20	0.70	17.30
DPS	c	7.50	8.50	9.00	10.00
Yield	%	2.70	5.80	4.30	4.70
Franking	%	100.0	100.0	100.0	100.0

Source: Morningstar analyst estimates.

Ramsay Health Care Limited (RHC)

Bonjour Paris

Accumulate **11.670**

Event

RHC agrees to acquire a 57% interest in Proclif, a leading private hospital group, from private equity group Duke Street. Proclif was established in 1998 by Duke Street (57%) and Predica (43%), a major French health insurance company. Proclif strategically acquired nine hospital facilities around Paris to derive scale. It's now the second-largest private hospital group in the Paris region, operating 1,000 beds and offering a full range of healthcare services from emergency to specialty surgery.

Impact

RHC agrees to pay 87m euros for Proclif, which generated 133m euros revenue in 2009. This translates into an EBITDA takeover multiple of 11.5x if we assume it is generating margins of 10%, the rate achieved in the Australian market. This is a hefty price to pay. RHC must see significant upside from combining it with future acquisitions or identifies it as a longer-term strategic asset.

We suspect a central reason for RHC's investment in Proclif is because its senior management team includes David Hillier. Hillier is the former CEO of Capiro UK and France. RHC acquired Capiro UK, with many of the Capiro UK team consolidated into RHC UK. A natural relationship should continue between the two groups, leading to further development. Familiarity will help ensure effective communication.

FYE Jun		2008A	2009A	2010E	2011E
Reported Npat	\$m	102.70	129.20	164.90	178.70
EPS	c	59.10	74.10	80.40	87.20
P/E	x	18.40	13.40	14.50	13.40
EPS Growth	%	8.20	25.40	8.50	8.50
DPS	c	32.50	38.00	44.00	48.00
Yield	%	3.00	3.80	3.80	4.10
Franking	%	100.0	100.0	100.0	100.0

Source: Morningstar analyst estimates.

Disclosure - Disclaimer

© Copyright Huntley's Investment Information Pty. Limited (HII) (a wholly owned subsidiary of Aspect Huntley Pty Limited), 2006. All rights reserved. Australian Financial Services Licence no. 240892. No material may be reproduced, except as allowed by the Copyright Act, without the prior written approval of HII. Some of the material provided by HII is copyright and is published under licence from ASX Operations Pty Limited ACN 004 523 782

HII DISCLAIMER: While the above-mentioned advice and information are based on information, which HII consider reliable, its accuracy and completeness cannot be guaranteed. This report is made without consideration of any specific client's investment objectives, financial situation or particular needs. Those acting upon such information do so entirely at their own risk. For a copy of HII's Financial Services Guide, please go to <http://www.aspecthuntley.com.au/ESG> or phone HII on 1800 03 44 55 to request a copy. The directors and associated persons or entities of HII may have an interest in the securities discussed in this report.

Address Details

DJ Carmichael Pty Limited
ABN 26 003 058 857
AFSL 232571 Participant of ASX Limited
Level 3, London House , 16 St Georges Tce
Perth, WA 6000

Telephone: (08) 9263 5200
Facsimile: (08) 9263 5283
info@djcarmichael.com.au
Webpage: <http://www.djcarmichael.com.au>