

Research Insight

News from CommSec research

Welcome to this week's edition of the CommSec Research Insight. Each week we share the unique insights of the CommSec Equities Research team based on the research we prepare for institutional clients (ie fund managers). We provide you with a quick wrap on the state of our share market, a few feature articles on the most interesting recent research reports we've issued and snippets on stocks and sectors that have been making the news.

Feature Article

Our feature article this week is:

- ASX Limited: Linked to equity raisings for now

The comments in the article below are an abbreviated restatement of our analysts' reports.

A glossary of frequently used investment terms can be found at the end of this report

Feature Article

ASX Limited: Linked to equity raisings for now

Last traded: \$34.81

Sector: Financials

Market cap: \$5,989M

ACCUMULATE / MARKET PERFORM

Valuation: \$37.95

Summary of previous report dated 7/01/10

4Q 2009 follow similar pattern to 4Q 2008

Following ASX's release of its monthly trading report for December, it is apparent that the fourth quarter of 2009 followed the same pattern of softness as that in the fourth quarter of 2008, once again causing a delay in the recovery in cash market trades.

In October 2008, the volume and value figures started their steep decline and the trend lasted six months; before heading back towards a recovery. Again, however, 2009's October numbers started to show the slowdown in the recovery which continued in December.

Capital raised from IPOs and secondary raisings up

For the first six months of FY10, capital raised from IPOs and secondary raisings was up 37% on pcp, but as we previously noted and as evident in the December figures (down 20% on pcp), the FY09 total capital raised was skewed towards the second half.

We have increased FY10 EPS by 1% due to an increase in our listings revenue forecast. The capital raised in 1H10 came in slightly above our estimates. There has been a similar increase in our price target to \$36.10.



Issue 141

14 January 2010 (4.30pm)

Market Wrap

Over the week CommSec released its latest *State of the States* economic ranking – an assessment on the economic performance of the states and territories. As you would expect, there was the customary mixed reaction across the country. States and territories at the top of the economic ranking list were quick to highlight the findings while those economies at the bottom of the list sought to downplay or criticise the results.

Of course it is hardly surprising that there were different responses to the report. We see that all the time when ranking lists are released or there are assessments of performance.

For listed companies, performance assessments are hardly new. Sharemarket analysts are constantly assessing the performances of individual companies. Those companies on the end of 'buy' recommendations are quick to highlight the results while those companies facing 'sell' recommendations put forward arguments and evidence in the hope of changing judgements.

And then there is the sharemarket itself. Share prices reflect the judgements of performance made by all manner of investors every day.

Matt Comyn
General Manager

Volume and value of daily equity market trades to pick up in 2010

While volume and value of daily equity market trades have fallen in recent months, we expect this to pick up in 2010 and hence the discussion over EPS leverage will again be raised.

The sensitivity of listing revenue is similar to trades, that is, we need a 10% lift to increase EPS by 1%; however, we expect the volatility in listings in the next 6–12 months to be high and hence this is more likely to drive changes to our earnings forecasts. We maintain our ACCUMULATE / MARKET PERFORM recommendation.

Happy investing!

Recommendation definitions**SHORT TERM (over the next 6 months we expect the share price to):**

BUY	Appreciate by >10%
ACCUMULATE	Increase between 2% and 10%
REDUCE	Increase by less than 2% or fall by up to 5%
SELL	Fall by >5%
REV	Company is under review - no recommendation available

LONG TERM (over the next 24 months we expect the total return to):

Outperform (O / P)	Exceed market return by >5%
Market Perform (M / P)	Be in line with market return, +/-5%
Under Perform (U / P)	Be less than market return by >5%
REV	Company is under review - no recommendation available

Glossary of frequently used investment terms

2P	proved plus probable	FUM	funds under management
3P	proved, probable and possible	GEP	gross earned premiums
ABARE	Australian Bureau of Agricultural and Resource Economics	GJ	gigajoule
ACCC	Australian Competition and Consumer Commission	GWP	gross written premiums
AGM	annual general meeting	JV	joint venture
APRA	Australian Prudential Regulation Authority	LNG	liquefied natural gas
ARTC	Australian Rail Track Corporation Ltd	L-R	long run
ATO	Australian Taxation Office	MAT	moving annual total
bbl	billions of barrels	Mboe	thousands of barrels of oil equivalent
bbls	barrels	mom	month on month
bp	basis points	MOU	Memorandum of understanding
CAGR	compounded annual growth rate	MRET	mandatory renewable energy target
CCGT	combined-cycle gas turbine	NAV	net asset value
CEO	chief executive officer	NPAT	net profit after tax
COGS	cost of goods sold	NPV	net present value
cps	cents per share	NTA	net asset backing per share
cpu	cost per unit	OCGT	open-cycle gas turbine
CSG	coal seam gas	OIP	oil in place
CSM	coal seam methane	OTC	over the counter
DCF	discounted cash flow	P/E	price-earnings ratio
D&A	depreciation and amortisation	pcp	prior comparable period
DRP	dividend reinvestment plan	ppt	percentage point
EBIT	earnings before interest and tax	PSI	offering into pipelines
EBITDA	earnings before interest, tax, depreciations, amortisation	SOTP	sum of the parts
EPCM	Engineer Procure Construct Manage	TEUs	twenty equivalent units
EPS	earnings per share	VWAP	volume-weighted average price
ETS	emissions trading scheme	WACC	weighted average cost of capital
EV	enterprise value	WIH	work in hand
FTA	free to air	y-o-y	year on year

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More information on our research methodology, organisation structure, summary documenting frequency and recommendations can be obtained at research.commsec.com.au

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End of Report