

ASX Market Report

Local Markets to Come Under Pressure

Monday, July 3 - Local markets are likely to come under some pressure Monday after US markets' performance Friday, where shares ended lower as the second quarter came to a close and ahead of tomorrow's Independence Day holiday.

Ahead of the local open the SPI futures were 5 points (0.10%) lower at 5,075.

The Australian sharemarket was stronger on the last day of the financial year.

The All Ordinaries rose 76.1 points (1.53%) to 5,034 while the ASX 200 firmed 76.7 points (1.53%) to 5,073.9.

Brambles Industries (BIL) agreed to sell Cleanaway UK to Veolia ES Holdings, a subsidiary of Veolia Environnement SA. The total cash consideration for the sale is GBP 595m. In addition, Veolia has assumed responsibility for the defined benefit pension funds of Cleanaway UK, which had an FRS17 deficit of GBP 56m as at 30 June 2005. The pre-tax profit on the sale is expected to be approximately US\$0.7bn. BIL strengthened 30 cents (2.8%) to \$11.00.

Tattersall's (TTS) announced its intentions to make a bid for the licence to operate the UK National Lottery from 2009. The licence commencing in 2009 is for a period of 10 years. TTS gained 7 cents (2.55%) to \$2.82.

The Australian Pipeline Trust (APA) said it will now proceed with developing its next major greenfields pipeline project with the signing of a \$400m Gas Transportation Agreement (GTA) between APA and Power and Water Corporation (PWC). The term of the GTA is 25 years, commencing 1 January 2009 and commits APA to develop the Bonaparte Gas Pipeline for the transportation of gas from Eni's on-shore gas plant to be built at Wadeye, to the Amadeus Basin to Darwin Pipeline. APA fell 13 cents (2.95%) to \$4.27.

Leighton Holdings (LEI), said it was awarded a NZ\$210m (A\$172m) contract to design and build a four-lane, 5km highway near Auckland. The SH20-1 Manukau Extension will link the existing SH20 and SH1 highways south of Manukau, the company said. The project, which is designed with a provision to widen to a three-lane dual carriageway, will be built in a joint venture with Works Infrastructure, a unit of Downer FDI (DOW).

LEI weakened 56 cents (3.13%) to \$17.35 and DOW firmed 9 cents (1.22%) to \$7.44.

Equinox Minerals (EQN) announced a revised Lumwana Measured and Indicated Resource of 358.1Mt @ 0.76% Cu, 184ppm Co and 0.02g/t Au for 5,968mlbs of contained copper. Equinox has also agreed the terms of an Engineering, Procurement & Construction (EPC) contract for the Lumwana Project with the Ausenco-Bateman JV, with a guaranteed maximum price of \$381m and an end of Q1 2008 commissioning completion schedule. Finally, Equinox advised it has mandated an additional US\$60m in loans, expanding the total Lumwana Project debt facility to US\$415m, and it has mandated the asset-backed financing of the Lumwana mining fleet for a total of US\$133.3m. EQN rose 20 cents (12.54%) to \$1.75.

LionOre Mining International (LIM) announced the successful completion of Project 5 Million's construction and commissioning phases, within budget and ahead of schedule, at Tati Nickel in Botswana. The total capital expenditure was US\$19m, 5% under budget. Production for Tati for the first half of this year is still targeted at 5,200 tonnes of payable nickel. LIM added 6 cents (0.82%) to \$7.36.

Alcoa Inc. (AAI) reached agreement to acquire the minority interests in its Intalco and Eastalco aluminum smelters in Ferndale, Washington and Frederick, Maryland. Alcoa will receive an undisclosed cash consideration to cover liabilities relating to the prior operation of the smelters. The transaction is expected to be completed by the end of the month. AAI remained unchanged at \$42.75.

Excel Coal (EXL) secured a further thermal coal contract to supply 2.08Mt of export thermal coal over a 4-year period at a fixed price of approximately \$71.45 per tonne from Excel's Hunter Valley operations in NSW. EXL strengthened 12 cents (1.51%) to \$8.07.

Skilled Group (SKE) held an open briefing with CEO Greg Hargrave on the company's trading position. On the company's EBITDA growth guidance of 20-25%, Mr Hargrave said: "Our business continues to perform well, particularly in the areas with exposure to infrastructure and the mining and resources sector where strong demand has continued into the second half. We are confident our full year results will be broadly in line with market expectations with EBITDA at or around current broker consensus forecasts of \$46m." SKE dropped 19 cents (4.27%) to \$4.26.

In economic news, credit to the Australian private sector rose a seasonally adjusted 1.1% in May from April and rose 14.1% from a year earlier, the Reserve Bank of Australia said. The May result was in line with market expectations that centred on a 1.1% rise after 1.3% growth in the previous month. Housing sector credit rose 1.2% in May from April and rose 13.0% from a year earlier.

Australia's peak housing body warned of a prolonged downturn in domestic housing activity resulting from a higher and more uncertain interest rate outlook. The Housing Industry Association predicted a further slowing in the key sector's activity in 2006-07, with a surprise interest rate hike on May 3 scuttling demand. The Reserve Bank of Australia raised its official cash rate in May to 5.57% from 5.50%. Industry feedback and evidence from new home sales point to the "May rate rise taking an immediate bite out of housing," HIA chief economist Harley Dale said in a statement.

The Australian dollar was last quoted at 74.27 US cents, 0.5806 euros and 84.94 yen.

© Copyright Huntleys' Investment Information Pty. Limited (HII) (a wholly owned subsidiary of Aspect Huntley Pty Limited), 2004. 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 CAN 004 523 782 ("ASXO"). Consensus forecast data is copyright Thomson Financial.

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 clients investments objectives, financial situation or particular needs. Those acting upon such information do so entirely at their own risk.

HII DISCLOSURE: The Directors and associated persons or entities of HII may have an interest in the securities discussed in this report.

DISCLOSURE DISCLAIMER: GILLON SECURITIES LTD

This Research report, accurately expresses the personal view of the Author. Gillon Securities Ltd, its directors and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions in companies mentioned in this report. In accordance with Section 949A of the Corporations Act 2001 this document contains general financial information only. In preparing this document Gillon Securities did not take into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your financial circumstances or contact your Gillon Securities Ltd advisor. Gillon Securities Ltd also advises that some or all of its Representatives may receive commissions as a result of effecting a transaction on behalf of a client. Gillon Securities Ltd., its directors and employees do not accept any liability for the results of any actions taken or not taken on the basis of this communication, or for any negligent misstatements, errors or omissions whether express or implied.