Switzer Super Report

Monday 14 September 2015

Before or after?

Nobody knows what the Fed is going to do this week yet but many in the US are hoping that they will raise rates to remove this cloud of uncertainty. And what if they do? I reckon there's a good chance stocks might fall – and create buying opportunities, but they will then rise and we should see some more legs from this bull market. That's the way I'm playing it.

Also in the *Switzer Super Report* today, Paul Rickard analyses the Westpac strategy announcement, and Roger Montgomery wonders if Myer is just throwing good money after bad. Our *Super Stock Selectors* like small caps Credit Corp and Aconex, and in *Buy, Sell, Hold – what the brokers say*, Rudi Filapek-Vandyck explains upgrades for Metcash and Mirvac Group.

And in a robust *Super Sessions* discussion, Paul Rickard shares his views on what he thinks the Fed will do.

Sincerely,

Peter Switzer

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36-40 Queen Street, Woollahra, 2025
T: 1300 SWITZER (1300 794 8937) F: (02) 9327 4366

Can Westpac deliver?

by Paul Rickard

Key points

- *Westpac wants to drive the expense to income ratio below 40% in the next three years (currently 42.5%) and reduce the rate of growth in expenses to 2% to 3% per annum.*
- *This is largely a new senior team at Westpac, and given that technology is Westpac's Achilles' heel, it will be many months, more likely some years, before we really know just how good a job Westpac has done.*
- *Which bank? The differences are at the edges. In a tight market, if you are looking to add to your bank holdings, consider NAB, then Commonwealth, then Westpac and lastly, ANZ.*

It is telling that Westpac CEO Brian Hartzer chose to call his strategy briefing to the market last week "Unlocking Westpac's Potential". Read another way, this is an awful indictment on the previous management team, including the media-lauded Gail Kelly. Were they asleep at the wheel?

The most Australasian-focused of the four major banks, with 97% of gross loans from Australia and New Zealand, Westpac has a unique portfolio of brands. St George, BankSA, Bank of Melbourne, RAMS and BT make up the portfolio, in addition to the main Westpac brand. It is number one or number two in all key domestic markets.

However, Westpac is a long way behind market leader Commonwealth Bank in technology, customer service, and from a shareholder's perspective, return on equity, and this is what Hartzer's strategy is attempting to address.

The strategy is pretty straightforward:

- Drive the expense to income ratio below 40% in the next three years (currently 42.5%);
- Reduce the rate of growth in expenses to 2% to 3% per annum;
- Increase productivity savings to $270 million per annum, up 20%;
- Increase investment spend by $200 million to around $1.3 billion per annum to accelerate digitisation; and
- Re-organise around customers, rather than brands. A Consumer Bank, encompassing all brands, under George Frazis, and a Commercial and Business Bank (encompassing all brands) under David Lindberg.

All good stuff, no doubt. The market liked the idea of getting the cost to income ratio below 40%, but queried whether Westpac was really going hard enough on the expense front – a 2% to 3% growth rate doesn't imply any real reductions in cost. And is a $200 million increase in investment really enough to close the technology gap?

Westpac is not yet making the leap to address its core systems challenges – one legacy system for Westpac and another legacy system for the St George Group.

CIO Dave Curran says that there are significant opportunities to leverage hybrid cloud technology, consolidate systems and share infrastructure to reduce IT costs and invest in such things as a single customer service hub, however, there are no plans to address the systems of record. Not yet, anyway.

As Commonwealth Bank discovered, it is hard to sustainably improve the customer service experience until you address the system of record issues. And with a multi-brand strategy in place, the dream of "one kitchen, many dining rooms" is likely to remain but a dream.

It is also possible that there could be further changes to the senior leadership team. Hartzer's team of 12 direct reports looks lopsided – just five business heads compared to seven in support areas.

Like most strategies by companies operating in mature markets, success or failure for Westpac is ultimately about the ability to execute. This is largely a new senior team at Westpac, and given that technology is Westpac's Achilles' heel, it will be many months, more likely some years, before we really know just how good a job Westpac has done. Bottom line – too early to re-rate Westpac on the back of a single statement, but at least it is in the right direction. Pity it is not a bit more ambitious.

Which bank?

While there is no reason yet to re-rate Westpac, the question remains – which bank?

With Australian banking one of the great oligopolies, it is no surprise that the banks tend to move as a pack and that differences around strategy, organisation and business mix are at the margin.

Looking at performance, CBA has been the standout performer over the last decade. It has also performed best over the period I have been rating the banks in the *Switzer Super Report*. Over this period of 16 months, CBA has a marginally positive return of 2.23%. The other banks are all in the red – with ANZ the standout poor performer.

	16-May	22-Aug	14-Nov	13-Feb	8-May	11-Sep	Dividends Paid	Return	Return Ranking
ANZ	$33.11	$33.47	$32.33	$35.74	$32.35	$27.52	$1.81	-11.42%	4
CBA[1]	$79.82	$80.61	$81.77	$93.15	$82.64	$75.13	$6.47[1]	2.23%	1
NAB[2]	$33.57	$34.46	$32.69	$37.48	$35.20	$30.19	$2.38[2]	-2.98%	2
Westpac	$34.40	$34.93	$33.03	$37.53	$34.05	$30.50	$1.85	-5.96%	3

[1] Includes $0.09 per share for CBA 1:23 Rights at $71.50, which ceased trading at $2.01. [2] Includes $0.40 per share for NAB 2:25 Rights at $28.50, which ceased trading at $4.99.

While I have been a big fan of the Commonwealth Bank, despite it being the most expensive on a PE basis, I revised my bank ratings in the 11 May edition of the *Switzer Super Report* to 1. NAB; 2. CBA; 3. Westpac; and 4. ANZ. Over this shorter period, CBA has again performed relatively better – losing 6.30% compared with Westpac's 7.69%, NAB's 10.28% and ANZ's 14.93%.

Poor old ANZ!

The brokers

Following the recent price weakness, the brokers are now favourably disposed to the sector. All major banks have a positive rating. With sentiment measured on a scale of -1.0 (most negative) to +1.0 (most positive), Westpac is the most favoured at 0.6 and NAB is the least favoured. In terms of potential upside, ANZ is seen as having the most – 21.5% to reach the consensus target price.

CBA is by far and away the most expensive bank, trading on a forward multiple of 13.6 times 2016 earnings – an effective premium of almost 28% to ANZ.

	Sentiment	Consensus Target Price	Last Price	Upside	FY16 PE (F)	FY16 Div Yield (F)
ANZ	+0.5	$33.68	$27.52	21.5%	10.6	6.7%
Commonwealth	+0.4	$85.19	$75.13	13.4%	13.6	5.7%
NAB	+0.1	$35.22	$30.19	15.6%	11.3	6.6%
Westpac	+0.6	$35.25	$30.50	14.8%	12.1	6.3%

Source: FN Arena as at 11/9/15. Sentiment scale (-1.0 to +1.0). Upside is to consensus target price.

My view

While the Brokers seem more favourably disposed to Westpac, with many noting the opportunity for Westpac to cut costs by rationalising its branch network, I feel it is premature to re-rate them. ANZ shares are super cheap – but my hunch is that they are going to remain cheap until a new CEO is appointed and their Asian strategy is clarified. Are they really on track to be a "super regional bank"?

I like that NAB CEO Andrew Thorburn has the organisation focused on a "back to basics" approach centred on Australian and New Zealand banking. They have drawn a line under their legacy businesses.

And despite CBA's price premium, they keep delivering.

Bottom line – the differences are at the edges. In a tight market, if you are looking to add to your bank holdings, my rating is:

1. NAB
2. Commonwealth
3. Westpac
4. ANZ

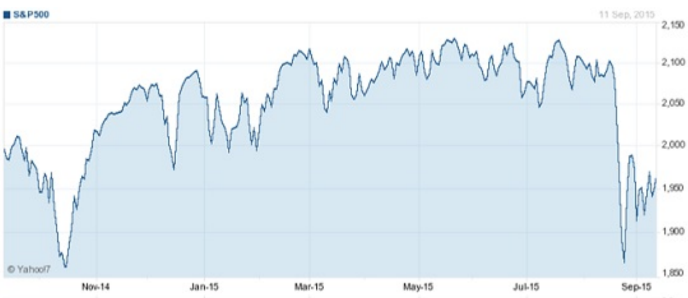
Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Should you load up on stocks before or after the Fed's decision?

by Peter Switzer

This could be a huge week for investors, with the US Federal Reserve holding all the deuces in what could be a big gamble for anyone prepared to go long ahead of the decision. And so the question you have to answer if you are toying with the idea of buying ahead of the interest rate decision on Thursday, NYSE-time, is: "Is this a sell-the-rumour, buy-the-fact situation?"

Of course, the market cliché or rule of thumb is the other way round, with smarties historically known for buying the rumour and selling the fact but there has already been the sell off, as the chart of the S&P 500 shows below.



Reversing the rule

Given this huge drop or correction from August to September on Wall Street, which we followed with our market down 16% at one stage, it makes me ask: is this a "sell-the-rumour, buy-the-fact" situation?

Morgans' chief economist, Michael Knox, has long argued that when the rate rise comes, the market will be down for a month and up for a year! If he's right, then even a mistimed decision in the short run is bound to be countered positively in the ensuing period.

However, given that markets often pre-empt what is expected, then maybe the recent stock dumping is the sell off that Wall Street, and in turn we, had to have. And if this is right, then a decision to raise rates this week by the Fed could actually spark a stock market surge, especially so if the associated statement from the central bank gets investors excited about the future of the US economy.

A Reuters poll in August had the majority of experts tipping a rate rise but the depreciation of the Yuan and the recent global stock market volatility has changed minds on the subject.

Former Treasury Secretary, Larry Summers, is calling for a delay and the World Bank's chief economist, Kaushik Basu has joined Christine Lagarde, managing director of the International Monetary Fund, arguing that a rate rise could create panic on markets.

That said, there are other experts, especially US economists, who think a rise is necessary and will happen and it looks like a 50:50 proposition.

Of course, it would be more ideal if China was growing confidently, as this would make the Fed's decision a whole lot easier, but alas, we might have to wait six months before better growth news shows up in the world's second biggest economy.

The risk factors

Making the whole story even trickier to work out is the weakness of oil prices and other commodities, which has hurt the foundations of stock market indexes. However, the Fed is always going to rattle some investors when they raise rates, so they could easily bite the bullet this week by raising by a smaller than expected amount – such as 15 basis points rather than the typical 25.

Against this was the fact that the S&P 500 had the best week since March last week and that could have been driven by the belief that the Fed will hold fire until the conditions to raise are better.

Marcel Von Pfyffer of Arminius Capital thinks the Fed will, and should, wait until March next year and the only argument I like about that is that it gives China time to prove that its growth fall is not as bad as some have been predicting.

Adding to this argument, Fed Vice Chairman Stanley has said the Fed would not ignore market volatility, while another Fed president, William Dudley, said consumer confidence was an indicator that would be important in the decision and the most recent reading saw the index come in below expectations.

Ironically, all this worry about an interest rate rise rocking markets comes as research from the Kansas Fed suggests that the US economy is a lot less interest-rate sensitive nowadays because industries, such as health and education, don't react to rate changes like manufacturing and housing.

The former industries are more significant in modern economies, and this partly explains why quantitative easing has taken so long to bring about a US economic recovery.

For a local US man-in-the-street perspective, this is how *USA Today* summed up this crucial meeting: "A two-day Fed meeting that ends **Thursday** is a cliff hanger, with economists almost evenly divided on whether the Fed will nudge up a benchmark rate that has been near zero since the 2008 financial crisis. Those expecting a hike cite a 5.1% unemployment rate that's already below the Fed's year-end forecast and at its long-run goal. Analysts who are betting on a delay point to recently volatile financial markets and their potential effect on the economy."

So, how do we play it?

If you're a punter, you buy ahead of the meeting where your pay off comes if they do nothing and Wall Street spikes or they do raise but they give reasons to make investors buy rather than sell.

It would be an odd situation of "sell-the-rumour, buy-the-fact."

The careful investor waits for the decision and plays the trend. If they raise and a sell off occurs, then we have to decide when we get in, as this could be the best big dip of the market for some time.

I'm taking this latter strategy but I know I could miss out on the first bounce if the punters collect!

Good luck with it.

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Is Myer's equity raising throwing good money after bad?

by Roger Montgomery

Key points

- *The company will increase its focus on its best stores and most valuable customers and will also look to reduce its store footprint by up to 20%.*
- *A pre-tax cost of capital of 12.1% (8.5% post tax) would value the company at around A$2.09 billion at the end of FY20, assuming the company can continue to generate 3% growth each year from FY20.*
- *The market position of Myer, the inflexibility of the department store format, and the increasing competition for the high-end consumer suggests that the end result is more likely to be weaker than management's target.*

Myer (MYR) recently surprised the market by pre-announcing its FY15 results and launching a deeply discounted 2 for 5-entitlement issue. While the FY15 results were roughly in line with market expectations, the greatest focus was on the company's new strategy announcement.

The new strategy calls for a $600 million investment in the business over five years to refit stores and invest in the company's omni-channel capability. The omni-channel refers to Myer's ability to engage and transact with customers irrespective of their preference for in-store or online shopping, as well as in-store collection or delivery of goods.

The company will increase its focus on the company's best stores and most valuable customers. The company will also look to reduce its store footprint by up to 20%.

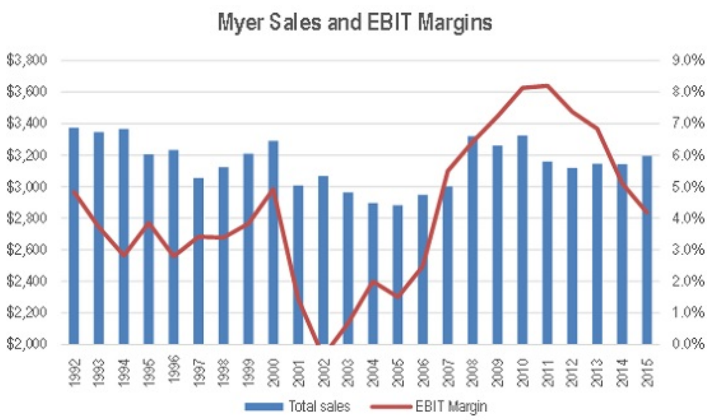
The targets

The company released the following medium to long-term targets:

- Sales growth greater than 3% between FY16 and FY20.
- Greater than 20% improvement in sales per square metre by 2020.
- EBITDA growth greater than sales growth by FY17; and
- Return on funds employed greater than 15% by FY20.

Looking at sales growth, the company has struggled to deliver any growth in sales in the last 20 years. The headwinds facing Myer and the department store segment in general are many. The department store format was established many decades ago as a means of offering the consumer a one-stop destination for their shopping needs across multiple product categories.

The rise of the shopping mall largely replaced this need by providing the same function in a far more flexible and competitive manner. More recently, online shopping has changed the nature of the market, making the fixed cost investment in floor space even more difficult to adequately leverage. This inflexibility of the format is demonstrated by the regular write downs and restructuring costs incurred by Myer and David Jones to refocus product offerings in stores.



Myer has also suffered from having a store portfolio that covered the full spread of demographics in Australia, making it almost impossible to focus the business on the more attractive high-end consumer segment. Back in FY06 when Coles sold Myer to private equity, it recognised that it had around 20 stores too many in its portfolio of 61 stores. However, it was unable to close surplus stores to refocus the business due to the cost of exiting long-dated leases. Interestingly, the company stated that it will look to reduce floor space by up to 20%. Payments to landlords are likely to consume a large proportion of the total $200 million investment allocated to shrinking the store footprint.

At the same time, Myer is targeting an increase in sales per square metre of over 20% by 2020. This would suggest sales will be roughly flat on current levels if both these targets are met. This is inconsistent with the sales growth target of over 3% a year.

Valuation potential

Of greatest interest is the 15% ROFE (return on funds employed) target in FY20, as this drives the valuation outcome. In FY15, Myer generated a ROFE of 10.7% on A$1.25 billion of funds employed. Myer will invest A$600 million over the next five years.

However, of this, A$120 million will be restructuring and implementation expenses, and a further A$200 million will be involved in rightsizing the store portfolio. As a result, these investments won't add to capital employed by FY20.

If we assume the residual A$280 million of investment is incremental to the current funds employed, total funds employed in FY20 would be around A$1.5 billion. The actual figure is likely to be lower than this due to the write off of assets in rationalising the store network, as well as depreciation expenses between now and FY20.

A 15% ROFE would suggest EBIT in FY20 of around A$225 million. This would also imply an EBIT margin of around 7%.

A pre-tax cost of capital of 12.1% (8.5% post tax) would value the company at around A$2.09 billion at the end of FY20, assuming the company can continue to generate 3% growth each year from FY20.

Given the spend, net debt is likely to increase by around A$300 million by FY20, even after the company raises A$221 million through the current entitlement offer and retains some of its earnings, from the current net debt of A$388 million. This means the value of the equity in FY20 would be around A$1.4 billion in FY20 even if the company achieves its targets.

This equates to A$1.70 per share, and a 12.6% a year increase from the A$0.94 entitlement offer price. This might look attractive, but this assumes everything goes right for Myer.

The market position of Myer, the inflexibility of the department store format, and the increasing competition for the high-end consumer suggests that the end result is more likely to be weaker than management's target.

Companies tend to assume investment returns will be incremental, but this implies the competition stands still. This is rarely the case, and as such, a proportion of the benefits from reinvestment are usually competed away. As a result, the risk outweighs the return upside in our opinion.

Buy, Sell, Hold – what the brokers say

by Rudi Filapek-Vandyck

Reporting season has officially finished, but volatility hasn't subsided just yet and stockbroking analysts continue to issue more rating upgrades than downgrades. Most of these rating changes, in both directions, are motivated by a rising gap between share price and intrinsic valuations.

In the good books

AWE LIMITED (AWE) was upgraded to Outperform from Neutral by Credit Suisse and to Buy from Neutral by UBS Buy/Hold/Sell: 5/2/0 Credit Suisse applies new oil price and currency assumptions to oil and gas stocks and upgrades AWE to Outperform from Neutral, given significant share price decline. The recent share price slide has been overdone in UBS' view and the rating is upgraded to Buy from Neutral on valuation grounds.

Upgrades

Order	Company	New Rating	Old Rating	Broker
1	ASX	Neutral	Sell	Credit Suisse
2	AWE	Buy	Neutral	UBS
3	AWE	Buy	Neutral	Credit Suisse
4	Charter Hall Group	Buy	Neutral	UBS
5	Downer EDI	Buy	Neutral	Deutsche Bank
6	Federation Centres	Neutral	Sell	Credit Suisse
7	Fortescue Metals Group	Neutral	Sell	JP Morgan
8	GPT	Neutral	Sell	UBS
9	GPT	Buy	Sell	Morgan Stanley
10	Graincorp	Buy	Neutral	Credit Suisse
11	Graincorp	Buy	Neutral	Deutsche Bank
12	Metcash	Neutral	Sell	JP Morgan
13	Mirvac Group	Buy	Sell	Morgan Stanley
14	Myer Holdings	Neutral	Sell	Deutsche Bank
15	Premier Investments	Buy	Neutral	UBS
16	Senex Energy	Buy	Neutral	Credit Suisse
17	Sigma Pharmaceuticals	Neutral	Sell	Citi
18	Sigma Pharmaceuticals	Buy	Neutral	UBS
19	Sigma Pharmaceuticals	Neutral	Sell	Morgan Stanley
20	Stockland	Buy	Neutral	UBS
21	Westpac Banking Corp	Buy	Neutral	Morgans

CHARTER HALL GROUP (CHC) was upgrade to Buy from Neutral by UBS Buy/Hold/Sell: 4/1/2 UBS is upgrading because of positive earnings revisions after the deployment of equity, while assets under management are increasing ahead of market expectations. The implied value of the funds management business is considered the cheapest since 2013.

DOWNER EDI LIMITED (DOW) was upgraded to Buy from Hold by Deutsche Bank Buy/Hold/Sell: 4/2/1 Since the FY15 result the company's share price has fallen 16% and Deutsche Bank considers this overly bearish. Deutsche Bank upgrades given a strong management team, 6.0% dividend yield, cheap valuation and the high level of recurring revenue. There is also potential for value-accretive acquisitions.

FEDERATION CENTRES (FDC) was upgraded to Neutral from Underperform by Credit Suisse Buy/Hold/Sell: 2/3/2 The company has guided to earnings of 18.8-19.1c per security. Credit Suisse retains FY16 forecasts at the top of this range. The broker expects growth will slow into FY17.

FORTESCUE METALS GROUP LTD (FMG) was upgraded to Neutral from Underweight by JP Morgan Buy/Hold/Sell: 3/3/2 The company has set some aggressive cost cutting targets aimed at getting net direct cash costs (or C1) to US$18 a tonne in FY16. JP Morgan analysts see potential for better-than-expected performance and hence the risks are now more balanced.

GPT (GPT) was upgraded to Neutral from Sell by UBS and to Overweight from Underweight by Morgan Stanley Buy/Hold/Sell: 2/5/0. The broker's rationale for the upgrade is based on the core portfolio, with office and retail looking better than expected. The retail segment continues to be driven by strength in the housing market, low interest rates and slowing online growth. Morgan Stanley upgrades because of better growth prospects relative to the sector and the high degree of certainty. There is also potential to slow cost growth while retaining leverage to higher asset values via the funds management platform.

MIRVAC GROUP (MGR) was upgraded to Overweight from Underweight by Morgan Stanley Buy/Hold/Sell: 5/1/1 Morgan Stanley upgrades to Overweight from Underweight, given the price weakness. Mirvac is trading at a discount to net tangible assets despite a positive outlook for commercial asset and inventory values.

METCASH LIMITED (MTS) was upgraded to Neutral from Underweight by JP Morgan Buy/Hold/Sell: 1/3/2 JP Morgan notes the balance sheet is being repaired and, with valuation support emerging, upgrades to Hold from Sell. With the fall in the share price and revised earnings forecasts the risks are now better accounted for.

PREMIER INVESTMENTS LIMITED (PMV) was upgraded to Buy from Neutral by UBS Buy/Hold/Sell: 1/5/0 UBS estimates the company direct sources 40-50% of its core brands and may lift this to over 80% in the next three years. With a positive mix change towards Smiggle/Peter Alexander, the broker forecasts gross margins to rise by 250 basis points over FY15-20. While there are risks with direct sourcing the broker envisages the company well able to manage these risks.

STOCKLAND (SGP) was upgraded to Buy from Neutral by UBS Buy/Hold/Sell: 4/1/2 The reasons for the upgrade include a valuation discount that is too large to ignore and the lower risk development business that is not appreciated by the market.

SIGMA PHARMACEUTICALS LIMITED (SIP) was upgraded to Neutral from Sell by Citi, to Buy from Neutral by UBS, and to Equal-weight from Underweight by Morgan Stanley Buy/Hold/Sell: 2/5/0 First half results were mixed, with revenue above forecasts and earnings below. Acquisitions have outperformed Citi's expectations. Citi re-bases forecasts to allow for the share buy-back activity. Morgan Stanley now suspects industry growth is less sluggish, although remains cautious ahead of an update at the first half results.

In the not-so-good books

MACQUARIE ATLAS ROADS GROUP (MQA) was downgraded to Neutral from Buy by UBS Buy/Hold/Sell: 3/3/0 Following a change of analyst, UBS downgrades to Neutral from Buy. Near-term distribution forecasts have increased slightly, to reflect upside in APRR's recent concession amendments. UBS has also pushed back the timing of the expected step up.

Downgrades

Order	Company	New Rating	Old Rating	Broker
1	GWA Group	Sell	Buy	Credit Suisse
2	Macquarie Atlas Roads Group	Neutral	Buy	UBS
3	Oil Search	Sell	Neutral	Citi
4	Oil Search	Neutral	Buy	UBS
5	Pacific Brands	Neutral	Buy	JP Morgan
6	Virgin Australia Holdings	Sell	Neutral	Morgan Stanley
7	Woodside Petroleum	Neutral	Buy	Citi

PACIFIC BRANDS LIMITED (PBG) was downgraded to Neutral from Overweight by JP Morgan Buy/Hold/Sell: 1/5/0 Following a re-positioning of the brands in the portfolio after divestments, JP Morgan notes the company is more reliant on Bonds and Sheridan, with a growing direct-to-consumer channel now 36% of sales.

Positive Change Covered by > 2 Brokers						
Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	GRR	Grange Resources	2.00	0.33	500.60%	3
2	AWE	AWE	-3.15	-2.49	26.39%	7
3	OGC	Oceanagold Corp	25.03	24.27	3.16%	6
4	ORG	Origin Energy	59.68	58.35	2.27%	8
5	RIO	Rio Tinto	296.04	291.56	1.54%	8
6	WOW	Woolworths	173.70	171.20	1.46%	8
7	REA	REA Group	172.51	170.78	1.01%	8
8	IPL	Incitec Pivot	23.67	23.49	0.74%	7
9	HZN	Horizon Oil	0.71	0.71	0.71%	3
10	RMD	Resmed	34.02	33.79	0.67%	8
Negative Change Covered by > 2 Brokers						
Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	TCL	Transurban Group	17.12	19.00	-9.89%	8
2	BHP	BHP Billiton	89.70	97.34	-7.85%	8
3	IGO	Independence Group NL	39.63	42.34	-6.41%	7
4	OSH	Oil Search	32.08	33.84	-5.18%	8
5	STO	Santos	19.75	20.71	-4.64%	8
6	BPT	Beach Energy	7.33	7.67	-4.46%	7
7	EVN	Evolution Mining	15.01	15.69	-4.36%	6
8	DLS	Drillsearch Energy	9.25	9.56	-3.32%	6
9	SIP	Sigma Pharmaceuticals	5.29	5.37	-1.53%	7
10	WES	Wesfarmers	227.53	229.90	-1.03%	8

FNArena tabulates the views of eight major Australian and international stock brokers: BA-Merrill Lynch, CIMB, Citi, Credit Suisse, Deutsche Bank, JP Morgan, Macquarie and UBS.

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Super Stock Selectors – Credit Corp and Aconex

by Penny Pryor

We've got a few interesting 'likes' from our selectors today. Elio D'Amato, CEO at Lincoln Indicators, likes Credit Corp, an Australian receivables management company with operations in Australia, New Zealand and the US.

It recently provided a strong annual report with another period of strong earnings and cash flow generation.

"The Purchased Debt Ledger (PDL) collections business is expected to benefit from further debt purchases and increased collections efficiency. The consumer lending business is gaining traction and we expect the introduction of the Wallet Wizard brand, to offer Credit Corp the opportunity to seize further market share," Elio says.

CMC Markets' Michael McCarthy picks an interesting one too with his like of provider of collaboration technologies, Aconex. This company has already more than doubled its share price this year.

"The exceptional growth prospects for its cloud-based project collaboration software not only justify the [share price] moves, but also support further gains from current levels around $4.00."

We've also pulled our best calls from our *Switzer Super Report* experts last week into today's Report.

Last Monday, James Dunn liked the five battered blue chips of Rio Tinto, BHP, ANZ, National Australia Bank and Lend Lease. Tony Featherstone also had some excellent picks in the retail space, with JB Hi-Fi (JBH), Nick Scali (NCK), Retail Food Group (RFG), Premier Investments (PMV) and Lovisa Holdings (LOV).

These companies play to Tony's preferred choices of domestic retailers exposed to housing or those that are 'born-global'. Read more about his 5 hot retail stocks here.

Raymond Chan likes Telstra in the long term for exactly the same reason Michael McCarthy doesn't like it in the short term. Both expect to see more volatility over the coming weeks but at these prices, Raymond thinks it's a long-term bargain.

Expert	What stock I like	What stock I don't like
Charlie Aitken, founder and fund manager of Aitken Investment Management	Australian resources and banks have bottomed and have "medium-term upside potential from here."	
Raymond Chan, managing partner, Morgans	Telstra - the stock been selling down as "bond proxy"	Newcrest Mining (NCM)
Elio D'Amato, CEO Lincoln Indicators	Credit Corp Limited (CCP)	Drillsearch Energy Limited (DLS)
James Dunn, financial journalist and commentator	These five battered blue chips - Rio Tinto (RIO), BHP Billiton (BHP), ANZ (ANZ), National Australia Bank (NAB), Lend Lease (LLC).	
Tony Featherstone, financial journalist	Domestic retailers exposed to housing - JB Hi-Fi (JBH) and Nick Scali (NCK), and born-global retailers - Retail Food Group (RFG), Premier Investments (PMV) and Lovisa Holdings (LOV).	
Michael McCarthy, Chief Market Strategist, CMC Markets	Aconex (ACX)	Telstra (TLS) – in the short term.
Gary Stone, founder of Share Wealth Systems	Macquarie Atlas Roads Group (MQA) zone of $3.40 to $3.45.	M2 Group (MTU)

Our Super Stock Selectors is a survey of prominent analysts, brokers and fund managers. Each week we ask them to name a stock they like, and one they don't like. We purposely ask for 'likes' and 'dislikes' instead of recommendations, so it provides an idea of what the market is looking at, rather than firm buys or sells.

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Don’t miss this

I talk to Paul Rickard about current market volatility and the Fed’s hotly anticipated interest rate decision this week.