

FINANCIAL REVIEW

SE Market Wrap
HD **Shares rise despite jobs data**
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WC 643 words
PD 11 July 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 22
LA English
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Australian shares broke a three-day losing streak to move higher as investors shrugged off news that unemployment had hit a 10-year high and some worse-than-forecast **Chinese** trade data.

The benchmark S&P/ASX 200 Index and the broader All Ordinaries Index each added 0.2 per cent, on Thursday to 5464.4 points and 5454.3 points respectively. Local shares were bumpy in early trade after opening higher having followed a positive offshore **lead**.

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United States equities closed modestly higher on Wednesday night following the release of minutes from the June meeting of the Federal Reserve that detailed plans to finish tapering its program of quantitative easing in October, provided the US economic recovery stays on track.

Clime Asset Management director John Abernethy highlighted the risks to global **equity** markets outlined last week in a report from the Bank of International Settlements, known as the central banker's bank. "There is a threat to financial stability as ultra-low interest rates promote debt accumulation and risk-taking," Mr Abernethy said.

But many global **equity** investors remain optimistic that the bull run in US equities that has led the rise across global markets can continue.

"If earnings pick up in the second half of 2014, as we anticipate, stocks will likely be able to grow into current valuations and build on gains," Loomis Sayles senior **equity** strategist Richard Skaggs said.

Fidelity Worldwide Investment global chief investment officer equities Dominic Rossi conceded that excess in the IPO market and corporate deal activity may be early warning signs of mature **equity** markets, but said despite the risks of a short-term correction his medium-term outlook remains bullish.

"I believe volatility can stay low for a sustained period, much like it did in the late 1990s, and feel the strength and duration of the economic resurgence will surprise many," Mr Rossi said.

The local market dipped into negative territory on Thursday following the release of Australian Bureau of Statistics data that showed the unemployment rate rose to 6 per cent last month. The result was worse than consensus expectations for a smaller rise in joblessness to 5.9 per cent.

On a more positive note the participation rate was up slightly.

In **China**, National Bureau of Statistics showed the trade balance of the world's second largest economy posted \$US31.6 **billion** in June, missing consensus predictions for \$US36.95 **billion**. Imports and exports both rose..Jakarta buoyant on election

In Indonesia, the Jakarta Composite Index jumped 2 per cent to a 13-month high, while the rupiah surged after Jakarta governor Joko Widodo cited exit polls to claim victory in the presidential election.

On the local bourse, resources giant BHP Billiton rose 0.4 per cent to \$37.41, while main rival Rio Tinto added 0.4 per cent to \$62.41, after the spot price for **iron ore**, landed in **China**, edged up 0.1 per cent to \$US96.60 a tonne. Junior **iron ore** miner Atlas **Iron** dropped 5.3 per cent to 62¢, despite reporting record production in the June quarter that beat its guidance.

The big four banks were mixed. Commonwealth Bank of Australia edged up 0.1 per cent to \$80.85 as Standard & Poor's reiterated the bank's credit rating is unaffected by the scandal over its financial planning practices. Westpac Banking Corporation lost 0.3 per cent to \$33.75, ANZ Banking Group edged down 0.1 per cent to \$33.16, and National Australia Bank added 0.4 per cent to \$33.39.

Banking and insurance **company** Suncorp Group dropped 0.4 per cent to \$13.57 as Morgan Stanley downgraded its recommendation to "underweight". Australia's biggest insurer QBE Insurance Group lost 0.7 per cent to \$11.27.

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