

HD Australia Shares End Down 1.8% After Weak US Manufacturing Data

WC 536 words

PD 13 July 2014

SN Financial Services Monitor Worldwide

SC FINSMEN

LA English

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Australian shares fell the most in six-months Tuesday after surprisingly weak U.S. manufacturing data triggered a sell-off in global **equity** markets.

Shares remained weak after the Reserve Bank of Australia signalled it was done cutting interest rates and the Australian dollar jumped as the central bank said the currency has fallen far enough to assist domestic economic growth.

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The benchmark S&P/ASX 200 closed down 1.8% at 5097.1 after hitting a seven-week low of 5092.0. Falls were broad-based, with BHP, Westpac, ANZ, National Australia Bank, Rio Tinto, QBE Insurance, Brambles, Amcor, AMP, Crown, Aurizon, Coca-Cola Amatil and Ramsay Health Care down between 1.8% and 3.3%. Newcrest **Mining** rose 4.7% after spot **gold** climbed more than 1%.

Global equities suffered after the ISM's U.S. manufacturing purchasing managers' index fell the most since 2008 after recent bad weather. The latest data followed a weak December U.S. jobs report, emerging markets jitters and disappointing **Chinese** manufacturing data which pushed Australian shares down 3% last month. The S&P 500 dived 2.3% overnight. Japan's Nikkei 225 fell 4.2% late Tuesday.

"I think you've got to start putting your hand up to buy a few stocks around here, even though the news has pretty much turned bearish across the board," said marketmatters.com.au principal Shawn Hickman. "You've got to buy when everyone else wants to sell."

Mr. Hickman bought bank shares Tuesday and planned to buy more in coming days, along with other bluechips like Crown.

Nader Naeimi, who helps manage US\$120 **billion** as AMP Capital's head of dynamic asset allocation said it was almost time to buy.

"We have planned for this pullback and our buying levels are getting closer," he said. "We increased our allocation to Australian **bonds** back in October, and now **bonds** are rallying and equities are selling off. We are not buying equities yet, but we are on the lookout for opportunities."

Mr. Naeimi said his fund's priority is to buy cyclical stocks with exposure to economic recovery in the U.S., Europe and Japan. "Despite the horrible reading on U.S. ISM, the strong global growth momentum of late 2013 should continue this year."

He isn't not overly negative on high-dividend yield stocks, but expects them to lag this year as bond yields rise.

Still the value in Australian shares is "not that great" even after a 4.5% fall in the benchmark index this year, said Pengana Capital portfolio manager Tim Schroeders. The S&P/ASX 200 is outperforming offshore markets, with the MSCI World index down 5.4% and the S&P 500 down 5.8% this year.

"It might be that people are happy to buy Australian shares on dips as the exchange rate finds support, but I'm not quite convinced that Australian market should be holding up this well," Mr. Schroeders says. "We are about to step into reporting season, and that may well give investors the guide they need, but the market looks precarious at the moment."

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