FINANCIAL REVIEW

SE Market Wrap

HD **Big four banks lead local bourse higher**

BY Equities Sally Rose
WC 764 words
PD 22 January 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 24
LA English

LP

Local shares finished higher on Tuesday despite falls among mining stocks and a disappointing start to company reporting season.

The benchmark S&P/ASX 200 Index gained 36.5 points, or 0.7 per cent, to 5331.5 as heavy falls among resources companies were outweighed by gains in the finance sector.

TD

The broader All Ordinaries Index also added 0.7 per cent.

Local shares received little guidance from overseas at the open as United States equity markets were closed on Monday night due to the Martin Luther King Jr holiday. Major markets around Asia provided positive leads on Tuesday afternoon.

James Packer's casino operator Crown Resorts was one of biggest contributors to the gain, adding 2.5 per cent to $18.

Company reporting season kicked off with GUD Holdings revealing its half-year bottom line net profit had plunged 74 per cent to $4.8 million.

Even after accounting for one-off restructuring costs of $10.1 million in its Sunbeam and Dexion businesses, the electrical appliance manufacturer's underlying profit was down 31.4 per cent. However, GUD's stock added 0.4 per cent to $5.74.

But it was the big four banks that did the most heavy lifting. Commonwealth Bank of Australia and National Australia Bank (NAB) both rose 1 per cent to $76.10 and $33.99 respectively. Westpac Banking Corp added 0.8 per cent to $31.79, and ANZ Banking Group gained 0.9 per cent to $31.15.

"Bank stocks won't do as well in 2014 as they have over the past three years but will still generate decent returns," said T. Rowe Price's Australia head of equities Randal Jenneke, who holds the big four bank stocks.

"Valuations are higher but profits are also stronger, " he added.

Mr Jenneke is most bullish on NAB and ANZ. "NAB is best placed to benefit from an expected pick-up in demand for business credit this year and may get an opportunity to divest its United Kingdom business, while ANZ has the fastest-growing domestic mortgages book and, with the right focus, its Asian expansion strategy will provide more growth," Mr Jenneke said.

However, the biggest growth opportunities for the year ahead are likely to be found in mining stocks, he said.Mining sector comes in last

But mining was the worst-performing sector on Tuesday, down 0.3 per cent, after commodity prices weakened while the local dollar strengthened.

Fortescue Metals Group was the worst-performing stock in the benchmark index, dumping 4.6 per cent to $5.41 after the spot price for **iron ore**, landed in **China**, fell 2 per cent to $US124.80 a tonne.

Australia's most important export is down more than $US10 per tonne since the start of the year.

The country's biggest **iron ore** producer, Rio Tinto, dropped 1 per cent to $65.80. Junior **iron ore** miner Atlas **Iron** was hard hit, shedding 4.8 per cent at 94¢. Resources giant BHP Billiton dipped 0.1 per cent to $37.95, ahead of expectations it will report increased **coal** and **iron ore** output in its December quarter results on Wednesday.

"Investors are looking for continued growth in BHP's key **coal** and **iron ore** businesses as new mines ramp up," UBS analyst Glyn Lawcock said.

"The **copper** division is expected to be fairly flat since the September quarter, while a 7 per cent to 8 per cent decline in petroleum production was flagged in detailed guidance provided in December."

Australia's biggest petroleum producer, Woodside Petroleum, fell 1.1 per cent to $38.37 despite Brent crude **oil** edging up to $US106.50 a barrel.

West Australian miner Sandfire Resources dropped 3.3 per cent to $6.48 despite reporting December-quarter **copper** production numbers that slightly overshot analyst expectations.

Resolute **Mining**, a WA-based **gold** prospector **mining** onshore and in Africa, rose 0.8 per cent to 60¢ after showing it increased total **gold** output while reducing production costs in the December quarter.

"Resolute's production report was largely in line with expectations, however it is mildly concerning that the balance sheet was a little weaker," Canaccord Genuity analyst Reg Spencer said.

"It will be a tougher year for Resolute due to the high capital expenditure associated with the Syama expansion project, before production and cash flow improves in 2015."

Engineering **firm**Transfield Services was the best-performing stock in the ASX 200, climbing 7.5 per cent to 93.5¢.

CO gudho : G.U.D. Holdings Ltd

IN i211 : Metal Ore Mining | i81402 : Commercial Banking | i2111 : Iron Ore Mining | i814 : Banking | ibasicm : Basic Materials/Resources | ibnk : Banking/Credit | ifinal : Financial Services | imet : Mining/Quarrying | icnp : Consumer Goods

NS c1522 : Share Price Movement/Disruptions | m11 : Equity Markets | ccat : Corporate/Industrial News | c15 : Performance | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140121ea1m00005

