

# FINANCIAL REVIEW

SE Market Wrap  
HD **ASX buoyed as banks, Telstra offset miners**  
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A rally in the big banks and Telstra offset continued losses in the **mining** sector, taking the local sharemarket to a flat close, despite investors being spooked by a dramatic fall in the **iron ore** price and a disappointing reading of domestic business conditions.

The benchmark S&P/ASX 200 Index finished just 2.3 points, or less than 0.1 per cent higher, on Tuesday at 5413.8, while the broader All Ordinaries Index edged down 1.5 points to 5429.3.

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The biggest banks and Telstra Corporation lifted the benchmark index into the black, while commodity price weakness sent junior miners tumbling to drag the All Ords lower.

Local shares bounced at the open despite a weak **lead** from offshore after **equity** markets in the United States moved lower and a drastic fall in the value of Australia's largest export. The spot price for **iron ore**, landed in **China**, plummeted 8.3 per cent to a 23-month low of \$US104.70 a tonne. It was the biggest one-day fall in the value of the steel-making commodity since March 2009.

But **iron ore** stocks were less drastically affected having already suffered heavy falls on Monday in anticipation of a slide in the commodity price.

Despite trading higher during the session, resources giant BHP Billiton ended 0.6 per cent lower at \$35.93, adding to a 4.1 per cent fall the day before. Main rival and Australia's biggest **iron ore** miner, Rio Tinto, rallied off Monday's 5.8 per cent dive to eke out a gain of 0.03 per cent to \$61.22. Fortescue Metals Group declined 1.8 per cent to \$4.83, having lost 9.4 per cent on Monday.

"**Iron ore** equities hit an air pocket but **China** fundamentals haven't radically changed. We've seen this cycle where steel makers destock many times before and don't think investors need to panic," Morgans senior resources analyst James Wilson said.

A monthly National Australia Bank survey found domestic business conditions fell sharply in February, down from a three-year high in January. The NAB business conditions index dropped five points to zero as companies reported sluggish local demand and scaled back hiring plans. The NAB index of business confidence missed expectations for a reading of eight points, holding just below its long-run average at seven.

Telecommunications was the best-performing sector, up 0.9 per cent, as Telstra Corporation rallied 1 per cent to \$5.08. Local stocks 'expensive but worth it'

The big four banks all rallied. Commonwealth Bank of Australia rose 0.7 per cent to \$76.25, while Westpac Banking Corporation added 1.5 per cent to \$34.29. ANZ Banking Group edged up 0.1 per cent to \$32.34, and National Australia Bank gained 0.4 per cent to \$34.77.

"Local bank stocks look expensive compared to offshore counterparts but with good reason and they still offer good value," Pengana Capital Australian Equities Fund portfolio manager Anton Du Preez

said. "Aussie banks are very well provisioned and conservatively run while the outlook for credit growth is positive."

Other major stocks that rallied off Monday's falls included Australia's biggest insurer, QBE Insurance Group, up 2 per cent at \$12.87, and shopping mall operator Westfield Group up 2.4 per cent at \$10.44.

The biggest food and liquor sellers slipped. Wesfarmers, owner of Coles, fell 0.3 per cent to \$43.46, while Woolworths edged down 0.1 per cent to \$36.64. Coca-Cola Amatil lost 0.9 per cent to \$11.27 despite subsidiary SPC Ardmona sealing a \$70 **million** five-year contract to supply canned fruit to Woolworths.

Rare earths miner Lynas Corporation was the worst performing stock in the ASX 200, falling 8.5 per cent to 27¢ after the **company** showed negative cash flow and an increasing interim loss to \$59.3 **million** while flagging the need to refinance or pursue a fresh capital raising.

**CO** tcoma : Telstra Corporation Ltd

**IN** i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i7902 : Telecommunications

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