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HD **Bright outlook puts shares on upward course**

BY Sally Rose
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Equities - Market pushes five-year peak

A slew of better than expected local economic news, coming hot on the heels of the best company reporting season in three years, helped Australian shares move to 5½-year highs on Friday.

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The benchmark ASX 200 index rose 57.5 points, or 1.1 per cent, over the week to 5462.3, while the broader All Ordinaries Index rose to 5477. A 0.3 per cent rise on Friday pushed the benchmark index to its highest point since June 2008.

The sharemarket shrugged off Monday's falls as fears abated that Russia's push into Ukraine's Crimean Peninsula could escalate into to a military crisis with the potential to disrupt global oil supply and financial markets.

In China on Friday it was confirmed that Chaori Solar Energy had defaulted on its debt.

It is the first time China's government has allowed a national company to default.

On Monday it will be five years since the local benchmark index dipped to an intraday low of 3120.8, the nadir of the market's dive during the global financial crisis.

"Given a five-year bull run it is impossible to argue stocks look cheap, but the market is not necessarily too high," MLC Investment Management senior investment consultant Brian Parker said.

"With interest rates still ridiculously low there is an overwhelming incentive for investors to pour more money into stocks and chase equity markets higher."

As was widely expected, the Reserve Bank elected to keep the official cash rate at its record low of 2.5 per cent on Tuesday.

"The biggest risk to equities is that over the past five years share price gains have outstripped underlying company earnings growth. Stocks can rise on thin air and optimism but they can't stay high on that alone in the long term," Mr Parker said.

The good news for the market is that economic data, notably much stronger than expected retail sales and building approvals reports released over the past week, indicate the earnings environment is improving, he said.

"Australian companies have done a particularly good job of controlling costs over the past couple of years and are now well placed to deliver profit growth as domestic demand accelerates," he said.

While equity markets around the world are at or approaching fresh highs, bond markets are pricing the prospects for the world economy more pessimistically, Ardea Investment Management portfolio manager Tamar Hamlyn said. "This is a hangover from quantitative easing in the US and low interest rates at home.

"The diversion is interesting. In the lead-up to the global crisis bond yields started to fall on fears of a developing crisis well before equities started falling," he said.

"Only time will tell if bond or equity markets are right, but we are cautiously optimistic in our outlook for global financial markets. In Australia the economy needs to rebalance away from mining-led growth, which will be difficult, but all the right building blocks are now in place."

Sharemarket gains over the past week were led by the banks. Commonwealth Bank rose 1.8 per cent to $76, and Westpac 1.3 per cent to $33.90. ANZ rose 1.9 per cent to $32.58, while National Australia Bank was unchanged at $34.74.

Telstra rose 0.4 per cent at $5.07.

Information technology was the best-performing sector, up 5.1 per cent as electronic share registry Computershare hit levels not reached since April 2010 amid speculation from analysts the business is poised to benefit from an increase in corporate deal activity.

Over the week Computershare jumped 4.5 per cent to $12.41.

Online automotive advertiser Carsales.com surged 11.8 per cent to an all-time high of $11.89 boosted by the announcement on Thursday it will spend $126 million on the online assets of South Korea's largest automotive trading business, SK Encar.

Big miners were lower as iron ore and coal prices fell and amid growing fears of a slowdown in Chinese demand growth. BHP Billiton fell 1.7 per cent to $37.72, while Rio Tinto fell 2.9 per cent to $64.94 as the spot price for iron ore, landed in China, fell 1 per cent to $US116.90 a tonne, having dipped to an eight-month low.

Gold stocks were among the most volatile as its value ebbed and flowed with the global worries over the threat of escalating violence in Ukraine.

Over the week the spot price of gold rose 1.8 per cent to $US1350.46 an ounce.

West Australian goldminer Silver Lake Resources was the worst-performing stock, falling 10.3 per cent to 52¢.

As a high-cost producer the junior player is vulnerable to movements in the gold price.

Deutsche Bank analysts have also noted concerns about whether a recent $39 million capital raising will be enough for the developer, which posted a $47 million interim loss last month, to get its Mount Monger project off the ground.

Uranium miner Paladin Energy was the best-performing stock in the ASX 200, climbing 16.4 per cent to 60.5¢.

The outlook for the company, which last month suspended production at its flagship project until the uranium price improved, is looking brighter after Japan revealed plans to start bringing some of its nuclear reactors back online.

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