

FINANCIAL REVIEW

SE Market Wrap
HD **Miners limit gains as ASX closes flat**
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Australian shares notched up a seventh consecutive session of modest gains after recovering from an afternoon slump led by a sell-off in **iron ore** and coalminers. The market was buoyed by excitement surrounding a foreign takeover bid for **bread** and margarine maker Goodman Fielder.

In the morning session, local shares pushed higher, defying a weak **lead** from **equity** markets around the United States and Europe, before slumping amid weak Asian trade in the afternoon and rallying at the close to finish flat.

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The benchmark S&P/ASX 200 Index edged up 5.1 points, or 0.1 per cent, on Monday to 5536.1, while the broader All Ordinaries Index eked out a gain of just 0.01 per cent to 5516.1. Three of the big four banks are at record highs as investors continue to pile in ahead of dividend season next month.

Global investors are focused on the US this week amid anticipation the Federal Reserve will continue to taper its monthly bond-buying program by another \$US10 **billion** when its meeting concludes on Thursday, and that improving US employment and housing data could point to interest rates normalising earlier than forecast.

"How quickly inflation returns to the Fed's 2 per cent target will have a major bearing on the likely trajectory of its quantitative easing program, the US Fed Funds rate, US 10-year Treasury yields and, in turn, global asset prices," Magellan Asset Management portfolio manager Dom Giuliano said. Banks, grocery sector buoyant

The biggest banks were all higher on Monday ahead of the start of bank reporting season. ANZ Banking **Group** added 0.8 per cent to a record high \$34.94, amid expectations it will announce an 81¢-per-share interim dividend when it reports on Thursday. Credit Suisse analysts are tipping ANZ to be the "standout" of the commercial bank reporting season.

Westpac Banking Corporation rose 0.2 per cent to a record high \$35.86, while National Australia Bank gained 0.5 per cent to a seven-month high of \$35.99 ahead of reporting interim results next week.

Commonwealth Bank of Australia, which will reveal its third-quarter results next month, gained 0.7 per cent to an all-time high \$79.45. Investment bank Macquarie **Group** was also higher ahead of reporting its full-year results on Friday, up 1 per cent at \$57.10.

"The fair expectation of healthy dividends mean the bank stocks are still attractive to hold, despite prices being stretched to over-valued, but I wouldn't be adding them at the moment," Australian Ethical portfolio manager Andy Gracey said.

Packaged foods **group** Goodman Fielder was the best-performing stock in the ASX 200, climbing 15.5 per cent to 63.5¢ after rejecting a 65¢-per-share foreign takeover offer.

Groceries was the best-performing sector, up 1 per cent, as Woolworths lifted 2 per cent to a record high of \$38.49. Rival Wesfarmers, owner of Coles, dipped 0.1 per cent to \$43.89 ahead of delivering

its third-quarter sales on Tuesday, which Deutsche Bank retail analyst Michael Simotas is tipping will show 5.3 per cent growth. Mr Simotas has a "sell" recommendation on the retailer, with a target price of \$38.

Telco giant Telstra Corporation gained 0.4 per cent at \$5.20. **Gold** lining to miners' woes

Mining was the worst-performing sector, down 0.8 per cent, as the spot price for **iron ore**, landed in **China**, fell 1.9 per cent to a month low of \$US111 a tonne and coking **coal** prices traded at a six-year low. Resources giant BHP Billiton lost 1.1 per cent to \$37.87 as it was reported former Xstrata boss Mick Davis, via his new private **equity** vehicle X2 Resources, is seeking up to \$US8 **billion** (\$8.6 **billion**) in debt from JPMorgan to **purchase** BHP's thermal **coal** division.

Rio Tinto shed 1.5 per cent to \$62.06, while **iron ore** miner Fortescue Metals **Group** dropped 4.1 per cent to \$5.12.

Australia's biggest **oil** producer, Woodside Petroleum, rose 0.4 per cent to \$41.08 after its potential US partner in the giant Israeli Leviathan gas venture, Noble **Energy**, said it would proceed without it. Woodside missed a March 27 deadline to complete its **purchase** of 24 per cent of the gas field.

Pharmaceutical **company** Acrux was the worst-performing stock in the ASX 200, slumping 33.2 per cent to \$1.11 after warning shareholders it was likely to miss targets due to sales of its **lead** product, the testosterone replacement treatment Axiron, being hurt by a US Food and Drug Administration investigation into a possible link between the treatment and increased risk of heart attack or stroke.

"Acrux is down but not out," said Mr Gracey, who holds the **company** and met with its management on Monday. "Although investors wanting to **buy** it on the dip should be prepared to be patient, as the FDA investigation will likely take a year."

CO fdgl : Goodman Fielder Ltd

IN i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | i41 : Food/Beverages/Tobacco | icnp : Consumer Goods

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