

FINANCIAL REVIEW

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HD **Yen easing offers scant relief to shares**
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Another record profit from Australia's second-largest bank and more monetary easing by the Bank of Japan were not enough to buoy the local sharemarket, as Woolworths disappointed investors with its worst quarterly sales update in more than four years.

The benchmark S&P/ASX 200 Index and the broader All Ordinaries Index each fell 0.4 per cent, on Monday to 5506.9 points and 5485 points respectively. Woolworths led the bourse lower following a disappointing sales update, along with Westpac Banking Corporation which fell after it delivered a full-year profit result in line with forecasts.

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Local shares declined despite a strong **lead** from offshore. **Equity** markets in the US and around Europe posted strong gains on Friday night after the Bank of Japan shocked markets with a move to increase the pace of its quantitative easing to ¥80 trillion (\$809 **million**) per annum, compared to previous guidance for a maximum of ¥70 trillion. Japanese markets were closed on Monday, but Nikkei futures were pointing to further strong gains after the benchmark index shot up 4.8 per cent on Friday.

"The BoJ's decision will increase global liquidity at a time when QE in the US is ending and should be supportive of global markets, including the ASX," Contango Asset Management portfolio manager Shawn Burns said.

But some lacklustre **company** news and disappointing domestic and **Chinese** economic data meant the local market got little benefit from the positive sentiment about Japan's expansionary monetary policy on Monday. Australian Bureau of Statistics data showed building approvals dived 11 per cent in September, against expectations for a 1 per cent fall.

"A drop of 11 per cent in September is clearly a concern, however month to month data is extremely volatile," Asenna Wealth Solutions senior trader Assad Tannous said.

The Reserve Bank of Australia is expected to keep rates on hold at their record-low 2.5 per cent when the board meets on Tuesday. A swag of private economic surveys indicated house price growth is moderating, the labour market is strengthening and inflation is edging up. Not great for banks Westpac Banking Corporation dropped 0.7 per cent to \$34.55 as it reported a 8 per cent jump in net profit for the 12 months to September 30 to \$7.6 **billion**.

Westpac lifted its full-year dividend from 88¢ to 92¢ per share, fully franked. Credit Suisse analysts called the result "marginally disappointing".

ANZ Banking Group and National Australia Bank both delivered annual results in line with forecasts last week. On Monday ANZ added 0.2 per cent to \$33.58, while NAB fell 0.3 per cent to \$34.89. Commonwealth Bank of Australia edged up 0.1 per cent to \$80.52. CBA boss Ian Narev has volunteered to testify at a Senate Inquiry into the bank's financial advice scandal.

Woolworths dropped 4.9 per cent to \$34.24 after the retailer showed September quarter sales rose by just 3 per cent, the slowest quarterly rate in more than four years.

Main rival Wesfarmers, owner of Bunnings and Coles, edged up 1¢ to \$44.15. Telstra Corporation lifted 0.7 per cent to \$5.67. Brambles rose 0.7 per cent to \$9.60 as the logistics group reported a 6 per cent rise in sales for the September quarter and raised its full-year earnings guidance.

In **China**, National Bureau of Statistics data showed the non-manufacturing purchasing managers' index (PMI) fell 1.2 per cent in October to a nine-month low at 53.8 points.

China's official manufacturing PMI for October released over the weekend came in at 50.8 points, missing median forecasts for a reading of 51.2 points. The final HSBC/Markit **China** Manufacturing PMI, released on Monday, edged up to 50.4 in October, unchanged from a preliminary reading.

The spot price for **iron ore**, landed in **China**, was down 0.3 per cent to \$US79.59 a tonne, with futures trading pointing to another fall overnight.

Resources giant BHP Billiton lost 0.7 per cent to \$33.71, while main rival Rio Tinto dropped 1 per cent to \$59.78.

Gold producer Newcrest **Mining** lost 7.6 per cent to \$8.61, after the price of bullion plunged more than 2 per cent to a new four-year low on Friday.

"**Gold** stocks fell heavily after the spot price broke through major technical support on Friday night and pushing into new five-year lows, Mr Tannous said. When the ASX closed **gold** was fetching \$US1169.17 per ounce.

Liquified Natural Gas was the best-performing stock in the ASX 200, climbing 5.4 per cent to \$3.92, as it upped production targets.

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