

# FINANCIAL REVIEW

SE Market Wrap  
HD **Big four, M&A activity lead recovery**  
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The Australian **equity** market began the week on a positive note as it continues to retrace recent losses, with the big four banks leading the recovery ahead of the start of their reporting season later in the week.

The benchmark S&P/ASX 200 Index lifted 0.9 per cent on Monday to 5459 points, while the broader All Ordinaries Index added 0.8 per cent to 5441.9 points.

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Local shares opened higher on Monday after taking a positive **lead** from offshore. **Equity** markets in the United States closed higher on Friday night, and the results of the European Central Bank's Asset Quality Review and Stress Tests released on Sunday night were met with relief. As expected, 25 banks failed the test but none of Europe's largest banks were found lacking.

"Markets seem to have found a foothold over the past week even though overall investor sentiment remains highly cautious," Perpetual Investments head of investment markets research Matthew Sherwood said.

The biggest event in global markets this week is tipped to be the policy statement at the conclusion of the US Federal Reserve Open Markets Committee meeting, due early on Thursday morning, Australian time.

It is expected the decision will herald the end of quantitative easing in the US and investors are anxious for any guidance on when interest rates might start to rise. "We could see an uptick in volatility [after] the FOMC meeting at the end of this week," Forager Funds Management chief investment officer Steve Johnson said. 'Flash crash'

He pointed to the "flash crash" in US bond markets earlier this month as proof that "crazy things" could happen as interest rate normalisation begins.

Mr Johnson said he was concerned that the heavy weight of short positions held by US hedge funds against the Australian dollar would make it hard for the currency to depreciate in the coming months.

Strong gains in the big four banks led the bourse. ANZ added 1 per cent to \$33.34 before entering a trading halt shortly before the market closed. The **company** said only that the halt was "pending a release" and is due to expire on Wednesday, however it is understood the bank inadvertently released some market-sensitive figures ahead of delivering its full-year profit result on Friday. Commonwealth Bank rose 1.6 per cent to \$80.02, Westpac lifted 1 per cent to \$34.56 and NAB, which reports full-year results on Thursday, gained 0.8 per cent to \$34.53. Regional lender Bendigo & Adelaide Bank rose 0.8 per cent to \$12.15 despite managing director Mike Hirst telling the AGM the outlook was "mixed at best".

Telstra Corporation gained 0.7 per cent at \$5.54. Among the biggest retailers, Woolworths rose 1 per cent to \$35.19, while Wesfarmers, owner of Coles, rose 1.3 per cent to \$43.06.

Resources giant BHP Billiton edged up 0.2 per cent to \$33.81, although most of the miners were weaker despite the spot price for **iron ore**, landed in **China**, rising 0.2 per cent to \$US80.48 a tonne. Turnaround story embraced

Rio Tinto fell 0.4 per cent to \$59.79, while **iron ore** miner Fortescue dropped 3.5 per cent to \$3.35.

Qantas Airways lifted 5.3 per cent to \$1.50 as investors embraced the turnaround story pitched at last week's AGM as the **company** posted a return to profit. UBS analysts upgraded their recommendation to buy.

With no significant economic releases offshore or domestically, a spate of local merger and **acquisition** activity helped buoy sentiment. Plasma product and vaccine maker CSL rose 0.8 per cent to \$76.28 after unveiling a \$US275 **million** (\$312.24 **million**) deal to buy the flu vaccine division of Swiss pharmaceutical giant Novartis.

Broadband provider Amcom surged 12.4 per cent to \$2.09 after Vocus Communications acquired a 10 per cent **stake** and announced plans to **merge** the businesses. Shares in Vocus added 2.5 per cent to \$5.44.

Retail Food Group was the best-performing stock in the ASX 200, climbing 9.1 per cent to \$5.30, as it successfully closed a \$40 **million equity** raising at \$4.80 a share to fund its **acquisition** of Gloria Jean's Coffee for \$163.5 **million**.

Nickel miner Western Areas was the worst-performing stock in the ASX 200, down 5.2 per cent to \$4.20.

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