

HD Australian Stocks: What Happened Today?

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Big finish too! Up 63 big points! Another very positive day today as a combination of better resource stock reports and the horrible jobs number today focussed attention on US dollar earning resource stocks and potential rate cuts. After opening strongly, we kicked after the jobs number miss and closed at 5309 which is pretty much where we started for the week! Good numbers from Woodside Petroleum Limited (A\$38.63, +2.7%), Paladin Energy Ltd (A\$0.495, +1.0%), RIO Tinto Limited (A\$65.58, +2.1%), Iluka Resources Limited (A\$8.89, +7.6%), Newcrest Mining Limited (A\$9.13, +7.0%) and Oz Minerals Limited (A\$3.58, +2.3%) combined to create a perfect storm to engulf the shorters and the doomsday merchants and we saw some good buying return to the sector. Unusually the banks were left flailing in their wakes despite news from Zombieland that they are looking at a 6% capital requirement not 8% as previously suggested.

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The big winner today was Iluka Resources Limited (A\$8.89, +7.6%) after quarterly production numbers with RIO Tinto Limited (A\$65.58, +2.1%) also in the spotlight following record [production of Iron Ore, Thermal coal and Bauxite. Cost cutting also bearing fruit and helped the whole sector. There has been so much negativity on the sector that any good news is great news. Perhaps we have seen a turning point in sentiment. We shall see. Energy stocks were also positive today following some record numbers from Woodside Petroleum Limited (A\$38.63, +2.7%) with 87m BOE produced helping kick the sector into gear. We saw rises in Santos Limited (A\$14.37, +1.4%), Origin Energy Limited (A\$13.83, +2.4%) and Oil Search Limited (A\$8.18, +1.7%) in the biggies whilst Karoon Gas Australia Limited (A\$3.89, +2.6%), Buru Energy Limited (A\$2.03, +3.8%) and Maverick Drilling and Exploration Limited (A\$0.51, +6.3%) made some good ground in mid-caps. Turning to the ever faithful financials, it was their turn in the shade today and given the temperatures in Melbourne that may not have been a bad thing. Commonwealth Bank of Australia (A\$75.80, -0.5%) turned negative whilst small gains were eked out in the other three big banks following earlier losses. In other financials QBE Insurance Group Limited (A\$11.73, +1.6%), Macquarie Group Limited (A\$54.07, +1.8%), AMP Limited (A\$4.50, +1.8%), Henderson Group PLC. (A\$4.23, +1.9%), Platinum Asset Management Limited (A\$6.82, +1.5%) and Challenger Limited (A\$6.31, +1.8%) posted good gains with special focus on US dollar earners like QBE and Macquarie. The days big kick up came from worse than expected jobs numbers. The economists failed to even get the mathematical sign correct predicting an addition of 10,000 jobs when the reality was a loss of 30,000 full time jobs and a gain of 9000 part time giving a net loss of 22,000 which was enough to kick the Aussie dollar in the teeth and bring on thought so far more rate cuts. One number does not a trend make but the RBA may well be on high alert to a deteriorating local economy. I suspect that monetary policy alone will not fix the malaise that is Australian manufacturing and industry as a whole. Consumer stocks were also in demand with Woolworths Limited (A\$34.24, +1.2%) and Wesfarmers Limited (A\$43.86, +1.0%) neck and neck today and even poor old Coca-Cola Amatil Limited (A\$12.30, +2.7%) rallied as so they should, given the sugar price. Boring old industrials like Amcor Limited (A\$10.33, +1.7%), James Hardie Industries PLC (A\$13.50, +3.4%), Orora Limited (A\$1.32, +5.2%), Boral Limited (A\$4.89, +1.7%) and Brambles Limited (A\$8.93, +1.2%) also trotted around in the sun as did Telcos like Telstra Corporation Limited (A\$5.28, +1.1%), Telecom Corporation of New Zealand Limited (A\$2.29, +3.6%) and Tpg Telecom Limited (A\$5.63, +3.1%). Media stocks pushed a little better today with Ten Network Holdings Limited (A\$0.34, +1.5%) enjoying the Big Bash series, Fairfax Media Limited (A\$0.655, +1.6%) benefitting from moves in the online jobs market and even #NEC# perking up a bit. Big cheesy grins today from resource stocks in particular, Iluka Resources Limited (A\$8.89, +7.6%), Newcrest Mining Limited (A\$9.13, +7.0%), Atlas Iron Limited (A\$1.00, +7.0%), Mount Gibson Iron Limited (A\$0.99, +6.5%), Alumina Limited (A\$1.285, +5.3%), Arrium Limited (A\$1.685, +5.3%), BC Iron Limited (A\$4.97, +4.6%) while Mighty River Power Limited (A\$1.93, -2.5%), Lynas Corporation Limited (A\$0.32, -3.0%), Panaust Limited (A\$1.805, -2.4%), MQA, XRO, Seven

West Media Limited (A\$2.20, -0.5%) and M2 Telecommunications **Group** Limited (A\$6.46, -0.9%) with volumes better today in part due to index option expiry and in part due to shorts being dragged screaming and kicking into the resource sector. In Asia once again we saw a mildly positive day with the Asian 50 index up 0.2% with Japan the best of the markets up 0.83%. Aussie dollar went skating through 89 and the Tulips (Bitcoin) were around \$1100. Stocks and Stories Newcrest Mining Limited (A\$9.13, +7.0%) announced after hours last night and confirmed not only better production numbers but also lower costs and a positive outlook. Maybe the dog is finally barking especially with a management change this year too. Woodside Petroleum Limited (A\$38.63, +2.7%) record production but a \$400 **m** write-off in some of its WA gas fields to be partially offset by better MRRT of around \$250m. Iluka Resources Limited (A\$8.89, +7.6%) announced their quarterly production report showing sales of Zircon and Rutile sales increasing 73% and 59% respectively. Cash costs were also reduced by 35% to \$376m which pleased the market immensely. RIO Tinto Limited (A\$65.58, +2.1%) Rio produced 66.5 **million** tonnes from its Pilbara operations in the December quarter, which was slightly below analyst estimates. In its second biggest earner, Copper, Rio Tinto mined 631,500 tonnes during 2013, well above expectations of 590,000 tonnes. Bega **Cheese** Limited (A\$4.62, +0.2%) has announced its intention to sell its holding in Warrnambool **Cheese & Butter** Factory Co.Hold.Ltd (A\$9.40, +1.3%) to Canadian **dairy** giant Saputo, in a move that looks set to seal the **milk** processor's fate. Sorry Murray but I think the game over sign is about to be put up! Duet **Group** (A\$2.06, unch) has requested that its shares be placed in a trading halt pending after announcing it plans to raise about \$100 **million** in new capital via a placement to institutional investors. Tomorrows News Today Another day another deal on the cards. A **Chinese** consortium is the front-runner to **buy** Glencore Xstrata PLC's Las Bambas copper mine in Peru for \$5 **billion** or more Looks like currency traders discussed fixing markets with the Bank of England in 2012! traders seem to have communicated extensively in the minutes leading up to the fixes (they are not called that for nothing!) and authorities are trying to work out if they did anything wrong. Der! From the FT. "Sharply rising investor demand for European property is fuelling a battle for assets that is driving prices up and causing fears of a renewed bubble, according to new research. Investors are pushing into riskier markets such as Spain and Ireland, riskier activities such as development, and lower quality assets known as secondary property, a report by PwC and the Urban Land Institute has found." Remember TEPCO. They own the stricken Nuclear plant, Fukushima, in Japan. Well today they announced agreement on their restructure. This includes the reopening of two nuclear plants in Japan and the sacking of 2000 workers. As a result of the closure of all nuclear in Japan, Tepco burned twice as much coal for power generation in 2013 than it did in 2012. This is going to have to change. The plan hinges on the restart of two reactors at the Kashiwazaki-Kariwa nuclear plant, the world's biggest, as early as July and cost cutting of nearly \$10bn! **China** warned people in northern regions, including the capital city of Beijing, to stay indoors today as air pollution surpassed World Health Organization recommended levels by more than 15 times. **China's** holdings of U.S. Treasuries increased \$12.2 **billion** to a record \$1.317 trillion in November, data released on the Treasury Department's website showed. **China's** swelling foreign-exchange reserves, reported today to have reached a world record \$3.82 trillion at the end of December. Brazil has raised its benchmark interest rate again to 10.5%! It seems inflation is alive and well there at over 5.9%. Now every country in the world is trying to stoke inflation. Seems one has been successful but at a price! Maybe this is a sign of things to come for other nations keen to unbundle the inflation genie! Online sales in the UK set to hit 100bn pounds this year up 17%. I will sleep a little safer tonight after this report, the US Air Force said on Wednesday that 34 officers responsible for launching the nation's nuclear missiles had been suspended, and their security clearances revoked, for cheating on their monthly proficiency tests.

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