

FINANCIAL REVIEW

SE Market Wrap
HD Index up on cusp of five-year bull run
BY Sally Rose
WC 856 words
PD 8 March 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 40
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

Equities

S&P/ASX 200 stocks and sectors during the past week

Best stocks

Change (%)

Paladin **Energy** 16.35
Sirius Resources 14.75
Leighton 14.67
Seven Group 14.3
Carsales.com 12.06

Worst stocks

Change (%)

Silver Lake -10.34
Pacific Brands -8.04
NRW -6.4
Acrux -6.16
Horizon **Oil** -5.97

Best sector returns

Change (%)

IT 5.11
Industrials 2.91
Energy 2.74
Consumer disc 2.72
Financials 1.15

TD

A slew of better than expected local economic news that came hot on the heels of the best **company** reporting season in three years saw local shares move higher over the past week.

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

The benchmark S&P/ASX 200 Index lifted 57.5 points, or 1.1 per cent, over the five sessions to 5462.3, while the broader All Ordinaries Index lifted to 5477. On Friday, the benchmark index added 0.3 per cent.

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," said Brian Parker, senior investment consultant at MLC Investment Management. "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 of Australia elected to keep the official cash rate at its record low 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," Mr Parker said. "Stocks can rise on thin air and optimism, but they can't stay high on that alone in the long term." Recent data encouraging The good news for the local market is that recent economic data, notably much stronger than expected retail sales and building approvals reports released over the past week, indicates that the earnings environment is improving, Mr Parker said.

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

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 GFC, bond yields started to fall on fears of a developing crisis well before equities started falling.

"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 re-balance away from **mining**-led growth, which will be difficult, but all the right building blocks are now in place."

Gains in the local sharemarket over the past week were led by the big four banks. Commonwealth Bank of Australia rose 1.8 per cent to \$76, and Westpac Banking Corporation added 1.3 per cent to \$33.90. ANZ Banking Group gained 1.9 per cent to \$32.58, while National Australia Bank was unchanged over the week at \$34.74.

Telstra Corporation rose 0.4 per cent at \$5.07. IT up, resources down

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 growing speculation from analysts that the business is set to benefit from an uptick 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 that it will spend \$126 **million** on the online assets of South Korea's largest automotive trading business, SK Encar.

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

Gold stocks were among the most volatile, as the precious metal's value ebbed and flowed with global worries over the Ukraine crisis.

CO crslca : carsales.com Ltd. | palrs : Paladin Energy Limited

IN i211 : Metal Ore Mining | i64 : Retail/Wholesale | i656000301 : Etailing (B2C) | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | iretail : Retail | iuran : Uranium Ore Mining

NS c1522 : Share Price Movement/Disruptions | c15 : Performance | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

