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HD **Buybacks and deal-making shrink market**

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Markets Index set to hit 6000 points

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Adam Haigh Brett Foley The S&P/ASX 200 remains about 19 per cent below its November 2007 record.Photo: Bloomberg

Australia's sharemarket is shrinking for the first time in eight years. For Credit Suisse, that's a signal to **buy**. Buybacks, acquisitions and delistings will outweigh newly issued **equity** by as much as $2billion this year, the first time that has happened since 2006, according to the broker. The takeovers of David Jones and Goodman Fielder and other mergers will drain about $22billion from the market in 2014, data compiled by Credit Suisse shows. The shrinking $1.5 trillion sharemarket is struggling to accommodate the country's $1.6trillion in superannuation savings, which are forecast to almost double by the end of this decade. Hasan Tevfik at Credit Suisse says the falling share count will boost the benchmark S&P/ASX 200 Index to 6000 points by year end as demand outweighs supply. That's about 8.2 per cent higher than Tuesday's close. "There is too much money chasing too little stock," said Mr Tevfik, a

Sydney-based strategist at the bank. "International companies want to **buy** our stocks. The combination of less **equity** issuance and solid demand, underpinned by superannuation in-flows, will be positive for equities." Employers contribute 9.5 per cent of workers' wages to superannuation, a system that has traditionally favoured investments in domestic equities over foreign-listed stocks or **bonds**. Deloitte last year estimated the country would have $3 trillion in pension-fund assets by 2020. The S&P/ASX 200, which closed on Tuesday at the highest level since June 2008, remains about 19 per cent below its November 2007 record. The gauge added 0.5 per cent to 5570.80 in mid-morning trading. It trades at 15.4 times estimated **company** earnings, compared with 16.6 on the US Standard & Poor's 500 Index. Australian shares represent 2.3per cent of the global sharemarkets' capitalisation, according to data compiled by Bloomberg. In 2013, local companies raised $24billion more than they handed

back to investors, with outstanding **equity** growing at 3.9 per cent annually since 2006, the Credit Suisse data show. As the market reached a record high in 2007, net **equity** issuance topped $90 **billion** as companies went public before the global financial crisis. IPOs and share sales slowed during 2008 as credit markets started to freeze, triggering a slump in global economic growth. In 2009, more than half of all companies listed on the Australian Securities Exchange raised extra capital. Issuance has since held at less than $40billion a year, Credit Suisse

data show. South African supermarket chain Woolworths Holdings made a $2.15billion takeover of David Jones that removed the department store owner from the S&P/ASX 200 Index last week. Greencross, an operator of veterinary clinics with a market capitalisation about half that of David Jones, was its replacement. Food concern Goodman Fielder, which makes Meadow Fresh yoghurt and Wonder White **bread**, is being bought by Singapore-based Wilmar International and **Hong Kong**'s First Pacific Co. They lowered their bid this month after Goodman said it

planned to write down the value of its assets amid intense competition. "The thing that's changed is that the **M**&A that is happening this year is not being financed by local **equity** investors," Mr Tevfik said. "It's international acquirers using cheap debt. The combination of the lowest cost of debt in a generation and recovering cash flows is the major reason why we think Australia will de-equitise this year." Rupert Murdoch's 21st Century Fox was replaced on the local index by Sundance **Energy** in May. Sundance was on Wednesday valued at $705million. Bloomberg

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CO fdgl : Goodman Fielder Ltd | sk : Credit Suisse Group AG

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