

# FINANCIAL REVIEW

SE Market Wrap  
HD Relief for shares as oil price halts, rates hold  
BY Equities Sally Rose  
WC 663 words  
PD 3 December 2014  
SN The Australian Financial Review  
SC AFNR  
ED First  
PG 24  
LA English  
CY Copyright 2014. Fairfax Media Management Pty Limited.  
LP

Australian shares posted their strongest session in five months in a relief rally that clawed back some of the heavy losses of the previous two sessions.

Stocks found support after the oil price rose and the Reserve Bank of Australia held the official cash rate at its record low 2.5 per cent for the 15th consecutive month.

TD

In other local economic news, Australian Bureau of Statistics data showed the current account deficit narrowed to \$12.5 billion in the September quarter, beating expectations for a \$13.5 billion shortfall. A separate ABS report showed the building sector doing better than forecast.

On Tuesday, the benchmark S&P/ASX 200 Index gained 1.4 per cent to 5280.2 points, while the broader All Ordinaries Index added 1.3 per cent to 5260 points.

Local shares lifted after oil and gold prices bounced on Monday night and despite taking a negative lead from equity markets in the United States and Europe.

Australia's energy and mining sectors led Tuesday's sharemarket rally as producers got some relief after selling down heavily over the previous three sessions.

Oil, gas and related stocks had slumped after the Organisation of Petroleum Exporting Countries (OPEC) made a surprise decision last week to maintain production levels despite a global supply surplus of around 1 per cent to 2 per cent. Investec Asset Management's Global Energy portfolio managers Tom Nelson and Charles Whall are tipping the global sell-off in energy producers will recover quickly in anticipation of a rise in oil prices.

"The recovery is likely to surprise investors in its speed and scale, just as the sell-off has. We fundamentally believe that we are approaching the bottom in terms of sentiment, investor positioning and valuation," they said.

Brent crude oil bounced 2.8 per cent to \$US72.11 a barrel before the local market opened on Tuesday, after losing more than 13 per cent in a five-day slide.

Crude oil prices are down about 35 per cent year-to-date and trading around a four-and-half year low.

Australia's biggest oil producer Woodside Petroleum rallied 1.9 per cent to \$34.86 after shedding 14.2 per cent over the previous three sessions.

After losing 17.1 per cent in three days Oil Search bounced 5.6 per cent to \$7.70. Origin Energy recovered just 0.5 per cent to \$11.76, having shed 15.7 per cent in a five-day slide.

Santos, which lost more than 25 per cent of its market cap in the three days previous, bounced 0.9 per cent to \$9.19.

Resources giant BHP Billiton added 3.9 per cent to \$30.40, while main rival Rio Tinto rose 2.2 per cent to \$57.93 as the spot price for **iron ore**, landed in **China**, slipped to \$US71.11 a tonne.

UBS estimates that with the commodity price below \$US73 a tonne, Australia's third-largest **iron ore** miner Fortescue Metals Group is not profitable. On Tuesday Fortescue dropped another 1.9 per cent to \$2.57, as speculation builds the miner will cut more jobs.

"Despite the significant declines to date ... it is difficult to identify any factors that are supportive of **iron ore** prices in the near term.

"We retain our negative view of commodities and resource equities," Deltec International chief investment officer Atul Lele said.

The big four banks were stronger as the RBA kept the cash rate on hold and ABS data showed a bigger-than- expected 11.4 per cent jump in building approvals during October.

Commonwealth Bank of Australia lifted 1.2 per cent to \$80.74, while Westpac Banking Corporation rose 1.5 per cent to \$32.73.

ANZ Banking Group added 0.2 per cent to \$31.72, and National Australia Bank gained 0.8 per cent to \$32.39.

**NS** c1522 : Share Price Movement/Disruptions | m143 : Energy Markets | mengpr : Energy Prices | c15 : Performance | ccat : Corporate/Industrial News | m14 : Commodity Markets | mcat : Commodity/Financial Market News | ncat : Content Types | nfact : Factiva Filters | nfce : C&E Exclusion Filter | nfcpin : C&E Industry News Filter

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

**PUB** Fairfax Media Management Pty Limited

**AN** Document AFNR000020141202eac30000d