

FINANCIAL REVIEW

SE Market Wrap
HD **Bank-led rebound saves year's wipeout**
BY Equities Misa Han
WC 613 words
PD 24 September 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 28
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

A rebound in the big banks and a better than expected reading of **Chinese** factory activity powered a rally in Australian shares.

The local market bounced back after trading below its 2013 closing price the morning after the spot price of **iron ore** fell below \$US80 a tonne for the first time in more than five years.

TD

The benchmark S&P/ASX 200 Index jumped 1 per cent on Tuesday to 5415.7 points while the broader All Ordinaries Index jumped 0.9 per cent to 5416.1 points.

In **China**, the latest HSBC flash manufacturing purchasing managers index read 50.5, roundly beating consensus expectations that it would retreat to the neutral reading of 50.

Baillieu Holst **equity** partner Richard Morrow said the recovery in the Australian sharemarket was driven by the positive indicator of **China's** economy. "In many ways [the Australian sharemarket] is a surrogate for investing in **China**. It's a lot easier to short sell in Australia than to short sell **Chinese** stocks," Mr Morrow said.

The big four banks led the gains. Australia and New Zealand Banking Group rose 1.4 per cent to \$31.65, and National Australia Bank rose 1.2 per cent to \$33.51. Commonwealth Bank of Australia and Westpac Banking Corporation were both up 1.1 per cent to \$77.30 and \$32.77, respectively. Further pressure on big miners

Iron ore fell through \$US80 a tonne and hit a fresh five-year low at \$US79.80 a tonne on Monday night, which put further pressure on the big miners in the morning session but they recovered in the afternoon.

Resources giant BHP Billiton was up 0.3 per cent to \$34.95 following its announcement it will cut 700 workers across its Queensland metallurgical coalmining business. Main rival Rio Tinto was up 0.3 per cent to \$60.20 while **iron ore** miner Fortescue Metals Group was up 2.2 per cent to \$3.66.

The biggest miners have been under pressure over the past month as **iron ore** and **coal** prices have tumbled, while the local currency remains above the level the Reserve Bank of Australia is comfortable with.

When the ASX closed on Tuesday the dollar was fetching US89.16¢.

Morgans director Tony Dennis said between two-thirds to three-quarters of the trading in the past two weeks came from offshore selling as the Australian dollar dropped after the US Federal Reserve started hinting it might raise interest rates earlier than expected.

"The US dollar strengthening is the primary driver behind the recent sell-off in Australian shares, particularly yield stocks such as the banks," Mr Dennis said. A softer dollar hitting the banks has

come as a "double whammy" at a time the falling **iron ore** price and concerns about **China** have hit the miners, he said.

Among other major stocks, on Tuesday Telstra Corporation gained 1.7 per cent at \$5.44, Woolworths was up 0.6 per cent to \$34.99 and Wesfarmers jumped 1.2 per cent to \$43.15.

In **company** news, crop protection group Nufarm was the best-performing stock in the ASX 200, climbing 12.2 per cent to \$4.52 after reporting a 51 per cent drop in its headline net profit after tax to \$37.71 **million**. (But this was due to \$48.7 **million** in one-off costs associated with the **company's** previously announced restructure and asset rationalisation program.)

Internet services provider TPG Telecom jumped 6.1 per cent to \$7.00 after exceeding analyst earnings expectations reporting \$171.1 **million**.

IN i81402 : Commercial Banking | i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | i814 : Banking | ibasicm : Basic Materials/Resources | ibnk : Banking/Credit | ifinal : Financial Services | imet : Mining/Quarrying

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

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020140923ea9o0002c