FINANCIAL REVIEW

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HD	**Woodside leads slide before Fed meeting**
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Shares crept to a two-month low on Wednesday, while bond yields rose, as investors waited for more guidance on the future direction of global monetary policy ahead of statements from the United States Federal Reserve and Bank of England, before the ASX resumes trading on Thursday.

The benchmark S&P/ASX 200 Index and the broader All Ordinaries Index each lost 0.3 per cent on Wednesday, to 5382.7 and 5363.9 respectively, amid lingering caution about conflict in Iraq.

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Meanwhile in the bond market, Australian government 10-year bond yields added 1 per cent to 3.7 per cent, while Australian government 3-year bond yields added 0.7 per cent to 2.7 per cent.

"I will be watching how markets react to both the US Federal Open Market Committee and BoE statements very closely," Tyndall Investment Management head of fixed income Roger Bridges said.

"After some higher than expected US inflation figures earlier this week and recent ratcheting up in other price indicators, the FOMC may start to change its communication signals, or it may wait to see if the changes are temporary," Mr Bridges said.

"It will also be interesting to see if the BoE makes further comment about the potential to bring forward rate hikes."Early surge

Local shares briefly followed US markets higher when trading opened on Wednesday, before quickly falling away. Asian markets provided mixed cues in afternoon trading.

Japan's Nikkei and Hong Kong's Hang Seng Index were higher when the ASX closed, but China's Shanghai Composite Index moved lower after official Chinese data for May showed new-home prices fell in half the cities tracked by the government for the first time in two years.

On the ASX, it was a 4.6 per cent fall in the value of Australia's biggest oil producer, Woodside Petroleum, that weighed heaviest. In the biggest daily drop since July, shares in the company slid to $40.90 after the company emerged from a trading halt after Royal Dutch Shell sold a 9.5 per cent stake.

Shell will continue to sell out of its significant holding, subject to shareholder approval of a pricing on the deal. In early analyst reactions, Macquarie and RBC Capital Markets both maintained "sell" ratings on Woodside's shares. Diversified resources giant BHP Billiton shed 0.2 per cent to $35.28, but the miners with earnings dominated by iron ore were mostly higher after the spot price, delivered in China, ended a six-day losing streak with a 0.3 per cent gain to $US89.30 a tonne. Rio Tinto, the biggest Australian iron ore producer, rose 0.8 per cent to $57.90, while Fortescue Metals Group, the third biggest local producer, lifted 2 per cent to $4.02.Atlas Iron climbs

In China on Wednesday afternoon, the Dalian iron ore futures market was tipping another lift overnight.

Atlas **Iron** was the best-performing stock in the ASX 200, climbing 7.8 per cent to 62.5¢. Junior explorer Aquila Resources added 7 per cent to $3.35 as the board recommended shareholders accept a $1.4 **billion** takeover bid from Baosteel and Aurizon.

Rejected rival bidder Mineral Resources lost 2.1 per cent to $9.35.

Telstra Corporation fell 0.8 per cent to $5.17 as the Australian Competition and Consumer Commission said it would increase regulation of text charges. The big four banks declined: Commonwealth Bank of Australia lost 0.3 per cent to $81; Westpac Banking Corporation fell 0.9 per cent to $33.84. ANZ Banking Group shed 0.6 per cent to $33.74, and National Australia Bank weakened 0.4 per cent to $33.01.

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