

HD Markets All eyes on budget details

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On track: Up to \$80billion in new roads spending could be unveiled. Photo: Glenn Hunt

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Unease tipped to hit shares

Sally Rose

Australian shares are expected to start the week lower ahead of what is expected to be a tough budget announcement on Tuesday. Fund managers expect consumer and corporate confidence will take a hit in the short term from the widely tipped combination of tax rises and spending cuts. Despite a mostly positive **lead** from offshore on Friday night, the SPI futures index is signalling the S&P/ASX 200 Index will edge down 0.07 per cent when the market starts trading on Monday. **Equity** markets in the US rose on Friday, with the Dow Jones Industrial Index closing at a record high thanks to buoyant earnings from IBM, which provided an antidote to the cloud of anxiety that has been hanging over the technology sector in recent months. Local shares wavered on Friday as investors grew cautious ahead of the budget. The benchmark S&P/ASX 200 Index eked out a gain of 0.06 per cent to 5460.8 points over the week just gone, while the broader All Ordinaries Index edged up 0.07 per cent to 5422.1. "There is no doubt that if the government delivers on some of its rhetoric about tax hikes and spending cuts that Tuesday night's budget will prompt an overdue sell-off in the local **equity** market over the next couple of weeks," Perpetual Investments head of investment market research Matthew Sherwood said. Most speculation has centred on a tax rise for high-income earners, along with an increase in the fuel excise, although the government is

expected to soften the political blow of this move by promising to boost spending on road upgrades. Along with prospective spending by state governments and private sector investors, a total commitment of up to \$80 **billion** of new roads spending over the next several years could be unveiled, with Canberra committing to provide half the headline figure. Additional measures such as pushing more households into private health insurance may continue to buoy support for the likes of listed health insurer NIB. "Once the budget is out of the road, all the speculation will stop and we can focus on the measures and how they are going to affect the economy," CommSec chief economist Craig James said. **Mining** stocks are expected to come under pressure after the

global spot price for **iron ore** fell to a 20-month low. The spot price for **iron ore**, landed in **China**, lost 1 per cent on Friday night, to \$US102.70, sparking fears the commodity price is set to tumble below the psychological threshold of \$US100 per tonne. But many investors have noted the largest local producers BHP Billiton, Rio Tinto and Fortescue Metals Group, which have all been contributing to the price pressure by boosting output, are likely to remain resilient if faced with a lower **iron ore** price. Speculation about constrictions in **China's** commodity financing markets, which are quite opaque, are also contributing to the falling **iron ore** price, Patersons Securities head of strategy Tony Farnham said. with AAP

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