

FINANCIAL REVIEW

SE Market Wrap
HD **Shares rally as US Fed hints at rates stability**
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Australian shares posted their biggest daily jump in seven months amid a rally in global equities after the US Federal Reserve provided reassurance it plans to keep its monetary policy supportive for many months to come.

The benchmark S&P/ASX 200 Index jumped 85.5 points, 1.6 per cent, on Thursday to 5468.2, while the broader All Ordinaries Index added 1.5 per cent to 5446.4, as the Australian market also received a boost from a lift in the **iron** price. It was the biggest daily jump on the ASX since December 19.

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Local shares followed **equity** markets in the United States, Europe and Britain higher as investors turned their attention away from the ongoing geopolitical risks in Iraq and toward the US Fed and the Bank of England, which both kept interest rates on hold.

As expected, the US Federal Reserve Open Market Committee kept US interest rates on hold and tapered its monthly program of asset purchases from \$US45 **billion** (\$47.8 **billion**) to \$US35 **billion**. A statement accompanying the decision indicated that despite recent signs the US economy is improving, including higher inflation and stronger jobs data, rates will remain on hold until late next year.

"Investor sentiment was bolstered by the June FOMC meeting outcomes, as well as a speech delivered in London on Wednesday by **Chinese** Premier Li [Keqiang], in which he confidently stated that the globe's No.2 economy would avoid a hard landing," Patersons Securities chief strategist Tony Farnham said. **Mining** best-performing sector

On the local bourse, **mining** was the best-performing sector, up 2.7 per cent after the spot price for **iron ore**, landed in **China**, lifted 1.1 per cent to \$US90.30 a tonne. It was the second session in a row the **iron ore** price lifted after starting the week at a 21-month low.

Resources giant BHP Billiton spiked 3.3 per cent to \$36.43; BHP's main rival Rio Tinto jumped 2.3 per cent to \$59.24. Rio told its customers on Tuesday night that it would increase discounts on its low-grade **iron ore** from 6 per cent to 13 per cent from July 1. Fortescue Metals Group, the third largest **iron ore** miner, rose 5 per cent to \$4.22.

Rail operator Asciano, which services the **mining** industry, jumped 6.1 per cent to \$5.55 after telling shareholders it plans to axe 500 jobs by the end of the month in a move to control costs, enabling it to reiterate its full -year profit guidance.

Crude **oil** prices lifted on reports insurgents in Iraq had seized a major **oil** refinery. Around 4.30pm (AEST) on Thursday, Brent crude **oil** was trading around \$US114.71 a barrel.

Australia's biggest **oil** producer, Woodside Petroleum, recovered 1.5 per cent to \$41.50, after sliding 4.6 per cent the previous day after striking a deal to buy back a 9.5 per cent **stake** from Royal Dutch Shell.

The big four banks all pushed ahead amid the promise of continuing low US interest rates. Commonwealth Bank of Australia lifted 1.6 per cent to \$82.30, Westpac Banking Corporation 1.8 per cent to \$34.45, ANZ Banking Group 1.6 per cent to \$34.28, and National Australia Bank 1.8 per cent to \$33.59.

Among other major blue-chip stocks, Telstra Corporation lifted 1.4 per cent at \$5.24. Wesfarmers, owner of Coles, rose 1.3 per cent to \$41.79, but rival Woolworths fell 0.2 per cent to \$35.77.

Ten Network was the worst-performing stock in the ASX 200, dropping 6.9 per cent to 27¢ after the television **company** warned it expects revenue in fiscal 2014 to be up to 4.5 per cent lower than last financial year due to declining advertising revenue.

Junior goldminer Beadell Resources was the best-performing stock in the ASX 200, climbing 7.8 per cent to 62.5¢. The spot price of **gold** crept marginally higher to \$US1278.51 per ounce.

CO fed : Federal Reserve Board

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