

HD **Australia shares flat in choppy trade, oil sector weak**

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* Shares flat in choppy trade, hovering at 4-week lows

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* **Oil**, finance sectors decline, defensive stocks tread higher (Adds analysis, quotes, stocks on the move)

By Thuy Ong and Naomi Tajitsu

SYDNEY/WELLINGTON, June 18 (Reuters) - Australian shares were a shade lower on Wednesday, as investors remained cautious over turmoil in Iraq and ahead of the Federal Reserve's two-day meeting while the **oil** sector dragged.

Oil companies were the heaviest drag on the index as Woodside Petroleum Ltd came out of a trading halt to lose 3.7 percent to A\$41.28, its lowest price since May 23. Royal Dutch Shell launched a long-anticipated **sale** of most of its **stake** in Australia's top **oil** and gas producer, looking to reap about \$5.7 **billion** as it moves to focus on developing its own gas assets in Australia.

Among other **oil** producers, Santos Ltd was down 1 percent, while **Oil** Search Ltd declined 0.4 percent. Brent crude held steady above \$113 per barrel while U.S. crude weakened slightly overnight.

The United States put the onus on Iraqis to defeat a Sunni insurgency as President Barack Obama prepared to meet leaders of the U.S. Congress to discuss the onslaught in Iraq.

"Fear of being whipsawed by another shallow correction is a key driver of investor behaviour at the moment," said Ric Spooner, chief market analyst at CMC Markets in a note.

"Investors seem disinclined to reduce risk unless the situation in Iraq deteriorates to the point where it seems likely that **oil** supply from the south will be disrupted."

The S&P/ASX 200 index was off 0.1 percent at 5,395.1 by 0215 GMT. The benchmark dipped 0.2 percent on Tuesday to its lowest close since April 16.

The benchmark hit a near 6-year high of 5,536.1 on April 29, but has since drifted lower as a rout in **iron ore** prices, geopolitical tension in Ukraine and unrest in Iraq hit investor sentiment. For June so far, the benchmark is 1.7 percent lower.

The financial sector continued to decline. Westpac Banking Corp slipped 0.2 percent and Australia and New Zealand Banking Group was flat.

Defensive stocks bucked the trend to tread higher with consumer retail staple Wesfarmers Ltd and blood products maker CSL Ltd both climbing 0.8 percent.

Aquila Resources soared 7.2 percent after it recommended a takeover offer led by **Chinese** steel giant Baosteel Resources valuing the **company** at \$1.3 **billion**, in a surprise move after rejecting a higher rival bid.

Newcrest **Mining** Ltd climbed 1.4 percent after reaching a settlement agreement with the Australian Securities and Investments Commission.

Greencross Ltd bounced 7.5 percent to all-time highs of A\$9.75 after the animal care **company** said it has successfully completed a A\$69 **million** placement to institutional investors.

Elsewhere, Australian **billionaire** Solomon Lew revealed he had bought a 9.89 percent **stake** in David Jones, casting a shadow over a \$2 **billion** buyout by South Africa's Woolworths Holdings. Shares in David Jones nudged 0.1 percent higher.

New Zealand's benchmark NZX-50 slipped 18.07 points to 5,175.43, led by a 2.25 percent slide in Pumpkin Patch , which has been plumbing record lows since the children's clothing retailer cut its annual earnings forecast last month.

Telecom New Zealand slipped 1 percent to NZ\$2.72 after the **company** announced it planned to buy business cloud service provider Appserve Ltd for NZ\$17 **million** (\$14.72 **million**). Despite the slide, shares hovered near a six-week high of NZ\$2.76 hit on Tuesday.

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CO wodpet : Woodside Petroleum Ltd

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction

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