

# FINANCIAL REVIEW

SE Market Wrap  
HD **ASX extends slide as banks dip before Fed**  
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Australian shares declined for the sixth session in a row ahead of a highly anticipated announcement at the conclusion of the September US Federal Open Markets Committee meeting.

News of monetary stimulus in **China** fuelled gains in the miners, but was not enough to lift the index as the big four banks fell heavily.

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The benchmark S&P/ASX 200 Index lost 0.7 per cent on Wednesday to 5407.3 points, while the broader All Ordinaries Index shed 0.6 per cent to 5411.4 points. Meanwhile, the Australian dollar also continued to slide, fetching US90.67¢ when the ASX closed.

Local shares took a mixed **lead** from offshore after **equity** markets in the US closed higher on Tuesday, while major bourses around Europe finished lower. Global investors were idling ahead of a speech from US Federal Reserve chair Janet Yellen, scheduled overnight on Wednesday, hoping for guidance on future interest rate policy.

"Markets are priced on the assumption that US interest rates will stay on hold well in to 2015.

If Dr Yellen indicates the Fed might hike rates earlier then global **equity** markets will probably dip," Merlon Capital portfolio manager Neil Margolis said.

The big four banks have risen over the past three years, fuelled by record low interest rates. But they have taken a beating since the start of September. All four are down more than 5 per cent month-to-date having traded through their 200-day moving averages. Banks down, big miners up

On Wednesday, the big banks did the most to drag the index lower. Commonwealth Bank of Australia lost 1.1 per cent to \$77.35, while Westpac Banking Corporation dipped 1.8 per cent to \$32.90. Australia and New Zealand Banking Group fell 2.2 per cent to \$31.43, and National Australia Bank shed 1.4 per cent to \$33.18. Telstra dropped 0.7 per cent to \$5.39.

"High-dividend-paying stocks have been overvalued in an ultra-low interest rate environment," Mr Margolis said.

**Mining** was the best-performing sector, up 0.2 per cent, after 500 **billion** yuan (\$89.5 **billion**) worth of stimulus was announced in **China** late Tuesday.

"After the release of some much weaker than expected industrial production figures on the weekend we expected the **Chinese** government to do something to support demand. This is a step in the right direction, but more stimulus will likely be needed if the country's 7.5 per cent annual growth target is to be met," Perennial Value Smaller Companies portfolio manager Sam Berridge said.

The relevance to Australian producers of a separate announcement out of **China** on Tuesday to ban imports of dirty **coal** had been grossly over-exaggerated, with only 8 per cent of Australian **coal** exports below the quality **China** has banned imports of, Mr Berridge said.

"None of Whitehaven **Coal**'s product is of the grades affected, so it may even benefit," he said.

Shares in Whitehaven, the largest locally listed pure-play **coal company**, dropped 2.5 per cent to \$1.78. The spot price for **iron ore** delivered in **China** dipped 0.8 per cent to \$US84.50 a tonne. Resources giant BHP Billiton added 0.3 per cent to \$35.84, while main rival Rio Tinto gained 0.4 per cent to \$62.05.

Premier Investments was the top stock in the ASX 200, up 7.8 per cent to \$10.60 after showing 10.9 per cent full-year underlying earnings growth. The biggest retailers were mixed. Woolworths slipped 0.1 per cent to \$35.15, while Wesfarmers, owner of Coles, rose 0.2 per cent to \$43.10.

Standards publisher SAI Global dropped 5.6 per cent to \$4.18 after two private **equity** bidders failed to meet a deadline for offers for the **company**.

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