

HD **Australia shares hover at 3-1/2-week lows, banks weak**

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* Mood cautious, key index hovers at 3-1/2 week lows

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* Banks fall on regulation concern, **China**, Iraq weighs (Adds analysis, quotes, stocks on the move)

By Thuy Ong and Naomi Tajitsu

SYDNEY/WELLINGTON, June 16 (Reuters) - Australian shares slipped 0.2 percent on Monday, hovering around 3-1/2-week lows, as banking stocks pulled the index lower and **iron ore** fell to a fresh 21-month low.

Investors also exercised caution as the unrest in Iraq continued.

The United States ordered military personnel to boost security for its diplomatic staff in Baghdad on Sunday and said some staff were being evacuated from the embassy as the Iraqi government battled to hold off insurgent forces.

All of the major banks fell with Commonwealth Bank of Australia slipping 0.3 percent and Westpac Banking Corp down 0.4 percent. Among mid-tier banks, Bank of Queensland Ltd was down 0.9 percent.

"The major banks have struggled amid fears of more stringent regulation," said Niall King, sales trader at CMC Markets in a note.

The S&P/ASX 200 index dipped 10.7 points to 5,393.7 by 0144 GMT. The benchmark fell 0.4 percent on Friday, and was down 1.1 percent last week, its third consecutive week of losses.

Some miners eked out a gain with BHP Billiton Ltd adding 0.4 percent and Iluka Resources Ltd up nearly 2 percent. Rio Tinto Ltd slipped 0.2 percent.

"I think the news is that people are still worried about **China** given that **iron ore** prices have continued to fall," said Damien Boey, equities strategist at Credit Suisse in Sydney.

"As you look at the domestic data it is starting to look a little bit worse, so a mixture of local and **Chinese** concerns are continuing to weigh on the market, the geopolitical stuff (in Iraq) is probably there in the margin."

UGL Ltd lost 0.7 percent after the Australian engineering services **company** confirmed the cash **sale** of its property arm to a consortium for A\$1.215 **billion**. TPG Telecom Ltd added 0.5 percent.

Echo Entertainment Group Ltd bounced 7.8 percent to A2.99, its highest since July 2013 after upgrading its FY 2014 EBITDA to between A\$430 **million** to A\$435 **million**.

Arrium Ltd lost 4.2 percent after it refinanced \$725 **million** equivalent of syndicated facilities, which are due to mature in the second half of 2015.

Super Retail Group climbed 2 percent after saying its full year net profit after tax is expected to be between A\$107 **million** and A\$109 **million**, an increase of around 5 percent in reported earnings over the prior year.

Flight Centre Travel Group Ltd added 1.9 percent after agreeing with Thien Minh Group to work together in a joint venture to expand TMG's Buffalo tours destination management business throughout Asia.

New Zealand shares slipped, nudging the benchmark NZX-50 index 4.30 points lower to 5,166.20. Losses were led by infrastructure investment **company** Infratil, which eased 1.6 percent to a one-month low of NZ\$2.35 before paring losses.

Lower global **oil** prices weighed on exploration **company** New Zealand **Oil** and Gas, which fell 1.2 percent, while **gold** exploration **company** OceanaGold Corp fell 1.2 percent to NZ\$3.30, easing from a 14-month high of NZ\$3.41 hit on Friday as investors booked profits on its latest rally.

A 1.7 percent rise in rubber products manufacturer Skellerup limited further losses, while accounting software **company** Xero edged up 0.8 percent after it said that global annualised revenues had surpassed NZ\$100 **million** for the first time.

Industrial equipment hire **company** Hirepool on Monday announced it planned to raise up to NZ\$262 **million** in an initial public offer to pay down debts, the fifth IPO announcement in less than a month.

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