

FINANCIAL REVIEW

SE Market Wrap
HD **Shares dip ahead of ECB news with weak trade data a drag**
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Local shares slid as Australia's balance of trade posted a deficit and the most recent survey of activity in the **Chinese** services sector disappointed.

Global investors were waiting on the European Central Bank to detail stimulus measures.

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The benchmark S&P/ASX 200 Index fell 0.2 per cent on Thursday to 5436.9, while the broader All Ordinaries Index dipped 0.1 per cent to 5419.7, as falls in the biggest banks outweighed a pick-up in the biggest miners following a surprise rebound in the **iron ore** price. The ASX has declined in five out of the past six sessions.

Shares fell in early trade after taking a muted **lead** from offshore. **Equity** markets in the United States edged modestly higher on Wednesday while London's FTSE and the FTSE EuroTop 100 Index edged lower ahead of rates announcements from both the ECB and the Bank of England on Thursday night Australian time. The BoE is expected to leave rates unchanged but the ECB announcement may prove an important market catalyst.

"President Mario Draghi has made very clear the ECB will take some action to stimulate the euro zone economy, but the implication for global markets will depend on how big and broad the stimulus is," Contango Asset Management portfolio manager Shawn Burns said. "However, we expect the benefits to be largely contained to European markets."

In **China**, the HSBC/Markit services purchasing managers index for May showed activity in the sector at a four-month low of 50.7, worse than recent official data had indicated.

In local economic news, Australian Bureau of Statistics data showed April's trade balance unexpectedly swung into a small deficit.

However, many economists said April's deficit will probably be temporary. "With the transition from **mining** investment to production still under way, the trade balance should swing back to surplus in coming months," St George Bank senior economist Janu Chan said.

Losses among Telstra and the big four banks dragged the index lower. Commonwealth Bank of Australia fell 0.3 per cent to \$80.95, Westpac Banking Corporation 0.4 per cent to \$34.20, ANZ Banking Group 0.5 per cent to \$33.23, and National Australia Bank 0.2 per cent to \$33.23. Telstra Corporation lost 0.4 per cent to \$5.30.

Mining was the best-performing sector, up 0.2 per cent, with the biggest producers getting a boost as the spot price for **iron ore** landed in **China** lifted 2.2 per cent to \$US94.60 a tonne. It was the biggest daily rise since March 31.

Rio Tinto, the biggest exporter of **iron ore**, rose 0.4 per cent to \$59.65, while **iron ore** miner Fortescue Metals Group lifted 4.3 per cent to \$4.65. Resources giant BHP Billiton added 0.1 per cent to \$36.20, as it announced 100 job cuts from its **iron ore** division.

"Short-term relief in the **iron ore** price over the past few days may continue following the sharp inventory clearing in May," Mr Burns said.

Food and liquor was the worst-performing sector, down 0.6 per cent as Woolworths lost 0.2 per cent to \$36.94, while Wesfarmers, owner of Coles, dropped 0.8 per cent to \$42.40.

Offshore **oil** and gas industry engineering services provider Mermaid Marine was the best-performing stock in the ASX 200, climbing 5 per cent to \$2.10, as it completed a \$550 **million acquisition** of Jaya Holdings, adding 27 vessels to its fleet.

Cinema and theme park operator Village Roadshow was the worst-performing stock in the ASX 200, dropping 8.2 per cent to \$7.25 as it announced a 15¢-per-share fully franked special dividend. iSentia Group, formerly Media Monitors, surged 19.1 per cent to \$2.43 on its ASX debut, further fuelling optimism about the market for more initial public offerings this quarter.

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