FINANCIAL REVIEW

SE Market Wrap

HD **Wesfarmers' rise offsets US dotcom jitters**

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Australian shares trimmed early losses to close slightly lower, with gains in Wesfarmers and gold stocks offsetting weakness in the technology sector following a major sell-off in US internet stocks on Friday.

The benchmark S&P/ASX 200 Index fell 9.1 points, or 0.2 per cent, on Monday to 5413.7, after earlier falling as low as 5391.3. Local stocks took a negative lead from offshore after equities in the United States declined with tech stocks falling heavily.

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US non-farm payrolls data released after the local market closed on Friday showed 192, 000 new jobs were created in March, missing forecasts for up to 206,000. While below more bullish estimates the key jobs data was still positive, with the employment rate stable at 6.7 per cent despite an increase in the participation rate.

Meanwhile, a private sector survey indicated the domestic labour market is continuing to improve after a long soft patch. An ANZ Banking Group survey of job advertisements showed a seasonally adjusted 1.4 per cent rise in March.

Gold producers outperformed the rest of the mining sector. The precious metal's spot price spiked 1.3 per cent on Friday night after the US jobs numbers trailed estimates, but by the local close the spot price of gold was down 0.2 per cent at $US1300.51 an ounce. Heavyweight Newcrest Mining lifted 3.8 per cent to $10.30. Gold junior Regis Resources was the top stock in the ASX 200, up 5 per cent to $2.23.

Mining stocks are poised to suffer a sell-off in 2014 as demand growth from China disappoints, according to Alliance Bernstein chief market strategist Vadim Zlotnikov. "Once people acknowledge that China's economic growth in 2014 is likely to be closer to 6 per cent than the official target of 7.5 per cent developed market stocks that depend on Chinese demand will suffer," he said.

However, beyond 12 months Mr Zlotnikov has a positive outlook for iron ore and alumina producers.

Resources giant BHP Billiton edged down 1¢ to $37.74, after six straight sessions of gains amid speculation of a massive demerger. Main rival Rio Tinto added 0.4 per cent to $63.95. The miner lost its appeal to the Supreme Court to overthrow a previous ruling that has blocked expansion of its Mt Thorley-Warkwort open-cut coalmine in the Hunter Valley NSW.

Iron ore miner Fortescue Metals Group rose 0.2 per cent to $5.46 as the spot price for iron ore, landed in China, lifted 0.2 per cent to $US115.70 a tonne.Banks mostly lower

The big four banks were mostly lower. Commonwealth Bank of Australia shed 0.2 per cent to $76.86, Westpac Banking Corporation fell 0.4 per cent to $34.48, and National Australia Bank lost 0.6 per cent to $35.18. ANZ Banking Group rose 0.3 per cent to $33.48.

BNP Paribas global head of **equity** and derivative strategy Gerry Fowler believes there is little upside left in Australian banks. "There is great rotation under way with investors pulling money out of equities they selected for dividend income and using that capital to invest in companies that have more scope for profitability improvements," Mr Fowler said. Yield-seeking investors can get find better relative value in **bonds** at the moment, he said.

Wesfarmers, the conglomerate best known for its retail arm that includes Coles and Bunnings, lifted 1.2 per cent to $42.08 on the news it will exit the insurance business completely with the $1 **billion sale** of its insurance-broking and premium-funding subsidiaries to global broking group Arthur J. Gallagher. Investors are hopeful of a special dividend, which chief executive Richard Goyder did not rule out. Retailing rival Woolworths lost 0.3 per cent to $35.86.

Telstra Corporation lost 0.4 per cent to $5.04. Chief executive David Thodey told The Australian Financial Review he expects mobile subscriber growth to drop off due to increased competition.

Consumer discretionary was the worst-performing sector, down 1.2 per cent, with media **company** Twenty-First Century Fox down 2.7 per cent to $34.55. Crown Resorts fell 1.4 per cent to $16.92 as it was reported the gambling group's Asian joint-venture Melco Crown is mulling spending $5.4 **billion** building a Tokyo casino in time for the 2020 Olympics.

Stem cell treatment developer Mesoblast was the worst-performing stock in the ASX 200 down 9.4 per cent to $4.61. Analysts said the stock, which has a high proportion of offshore shareholders, appears to have been caught up in a sell-off in the US bio-technology sector. New York-based research house Eva Dimensions published a sell recommendation on Mesoblast on Friday. The stock is down 15 per cent since the start of April.

CO wsfrm : Wesfarmers Ltd

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