

FINANCIAL REVIEW

SE Market Wrap
HD **Rio Tinto shines in grim week for ASX**
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Australian investors followed global markets sharply lower on Friday after United States President Barack Obama authorised air strikes on Iraq. After ending the week with a 1.3 per cent fall, the Australian **equity** market has lost 3.6 per cent over the past six sessions, shedding \$40.5 **billion** in value.

The S&P/ASX 200 Index lost 2.2 per cent to 5435.3 points for the week, in what was the worst week for the local sharemarket since March.

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It was early December the last time the market suffered a six-day losing streak, just before the US Federal Reserve started reducing its stimulus.

If Aussie shares fall for a seventh consecutive session on Monday, it will be the market's longest losing streak since an eight-day run of falls in July 2010.

"News that the US ordered air strikes on Iraq just added to the geopolitical risks coming from Ukraine and Gaza that have seen volatility return to the market as investors awaken from their complacency," Quest Asset Partners portfolio manager Michael Evans said. In domestic news, the Reserve Bank of Australia elected on Tuesday to keep the official cash rate at its record-low 2.5 per cent for the 12th month in a row.

The decision was widely expected, but after jobs numbers for July released by the Australian Bureau of Statistics on Thursday showed unemployment at a 12-year high of 6.4 per cent, traders upped their bets that the RBA will cut rates this year. Expectations high for results season

The big four bank stocks, which have enjoyed a two-year rally amid record-low interest rates, all moved at least 3 per cent lower over the week. Citing concern about credit growth amid high unemployment, Bell Potter strategist Charlie Aitken advised clients on Friday to sell the big banks and reinvest in cheaper stocks.

Among other major industrial blue-chip stocks, Telstra Corporation fell 0.9 per cent to \$5.39 over the week. In retail, Woolworths lost 2.2 per cent to \$35.67, and Wesfarmers, owner of Coles, shed 2 per cent to \$42.44.

Company reporting season delivered mixed results. On Friday, real estate website operator REA Group dropped 8.7 per cent to \$42.78, despite meeting expectations with a 37 per cent surge in underlying net profit.

"With the market's price-to-earnings ratio above average, expectations for results season are high," Mr Evans said. "Meeting guidance is unlikely to be enough to boost stock prices, and the focus will really be on looking for stronger outlook statements."

A reporting season highlight was Rio Tinto. Australia's biggest exporter of **iron ore** climbed 1.6 per cent over the week to \$66.43, with investors delighted with blockbuster half-yearly earnings and the prospect of bigger capital returns early next year.

Main rival BHP Billiton fell 1.7 per cent over the week to \$37.74. The resources giant is widely tipped to meet guidance when it reports later in the month.

The spot price for **iron ore**, delivered in Beijing, rose four sessions in a row to \$96. However, when the ASX closed on Friday, futures traders in **China** were tipping a fall overnight that would wipe out the past week's gains.

CO fed : Federal Reserve Board | rtzcra : Rio Tinto Group

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