FINANCIAL REVIEW

SE Market Wrap

HD **Horror week erases year's gains as iron ore slumps**

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Shares ended sharply lower for the week, erasing the year's gains in the process, after further weakness in the iron ore price put the listed miners under heavy pressure.

The S&P/ASX 200 index on Friday closed 11.9 points, or 0.2 per cent, lower to 5304.4. The benchmark declined in every one of the week's sessions, closing 2.8 per cent lower over the five days – its biggest weekly loss since June 2013.

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The broader All Ordinaries index fell 10.4 points, also 0.2 per cent, on Friday to 5292.1, taking the weekly loss to 2.6 per cent.

Supermarket owners Woolworths and Wesfarmers also weighed heavily on the market, dropping 6.3 per cent and 5.7 per cent, respectively, to $31.60 and $41.56. Weakness among those blue-chips made the consumer staples sector the worst-performing on the ASX this week. "There's been concern in the supermarket space about increased competition from Aldi and Costco, although that's still a very small part of a very big grocery pie," BBY senior client adviser Henry Jennings said. "Woolies also has had some issues with its Masters hardware chain, and that's really bashed them around."

Miners struggled as the price of iron ore, delivered at the Chinese port of Qingdao, threatened to drop below $US70 a tonne. On Thursday night the bulk commodity fetched $US70.97 a tonne, with futures trading late Friday afternoon suggesting a further fall in the price that night.

BHP Billiton dropped 4.7 per cent to $31.70 over the five trading days, while Rio Tinto shed 6.1 per cent to $56.41, with both hitting their lows for the year.

Fortescue plunged 11.8 per cent to $2.69 – its lowest in over five years – and a raft of smaller iron ore players were heavily sold down as the commodity price threatened to make higher cost mines uneconomic.

Mineral Resources managing director Chris Ellison told The Australian Financial Review the iron ore price was "not too far away" from the point where the producer would be forced to place its mines on care and maintenance. Mineral Resources shares were down 1.4 per cent for the week, to $7.52.

Investor sentiment took a further hit during the week on news Japan's economy unexpectedly contracted over the September quarter, tipping the country into a technical recession.

Prime Minister Shinzo Abe announced plans to delay a hike in the sales tax during the week before dissolving Parliament on Friday, paving the way for a snap election in December to seek a fresh mandate.Banks smashed as investors worry

Banks also dragged on the market as investors continued to remain wary of the sector ahead of the results of the Murray inquiry into financial services, due to be handed over to the government by the end of the month and which is expected to recommend lenders hold more capital.

Over the five sessions, Commonwealth Bank of Australia fell 2.1 per cent to $80.09, National Australia Bank eased 1.3 per cent to $32.27, ANZ Banking Group dropped 1.6 per cent to $31.82 and Westpac Banking Corp shed 2.4 per cent to $32.25.

Healthcare stocks have been a highlight this year, but Sonic Healthcare shares dropped 8 per cent over the week to $17.26 after the pathology services **company** cut its earnings expectations at Thursday's annual general meeting.

Flexigroup shares shed 9 per cent to $3.14 on growing doubts the **company** could maintain its growth momentum and after the **company** received a "first strike" against its remuneration report at its AGM, also on Thursday.

Orica shares dropped 8.5 per cent to $18.40 after the **company** announced on Wednesday the **sale** of its chemicals arm to private **equity** for $750 **million** and that it would shed 700 jobs.

Friday's worst performer was engineering contractor Cardno, which plunged by almost 25 per cent on the day, to $3.61, after announcing an earnings downgrade. The best of the day was dental chain Pacific Smiles, which popped 37 per cent to $1.78 on its ASX debut.

with Max Mason and Stephen Cauchi.

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