

# FINANCIAL REVIEW

SE Market Wrap  
HD **Dream run continues despite earnings woes**  
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Australian shares have closed at a new six-year high, notching up a seven-day winning streak as the big four banks lifted the index and investors reacted to a mixed bag of June quarter **company** updates.

The benchmark S&P/ASX 200 Index and the broader All Ordinaries Index both added 0.2 per cent on Thursday, to 5585.2 points and 5576.8 points respectively, as local shares took muddled cues from offshore. Major **equity** markets in the United States, Europe and Asia were mixed.

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UBS has trimmed its year-end target for the ASX 200 from 5700 points to 5625 points based on subdued expectations ahead of the August reporting season when most companies deliver final full-year results for the 2014 fiscal year.

"Expectations for aggregate earnings per share growth in FY14 now stands at 13 per cent, year-on-year, compared to 14 per cent about six months ago," UBS Australian **equity** strategist David Cassidy said.

More importantly, earnings growth expectations for the current financial year are even more modest, he said.

Investment bank Macquarie Group dropped 2.9 per cent to \$59.51 after delivering a softer-than-expected first quarter profit result as weak trading volumes hurt its Securities division.

Among the biggest retail banks, Commonwealth Bank of Australia added 0.6 per cent to \$82.01, Westpac Banking Corporation gained 0.1 per cent to \$34.13, and National Australia Bank rose 0.2 per cent to \$34.49. ANZ Banking Group, the only one of the big four not to cut its five-year fixed lending rate this week, lifted 0.2 per cent to \$33.58.

Insurance Australia Group, owner of NRMA, jumped 2.2 per cent to \$6.17 after upgrading its full-year profit margin expectations to their highest level since listing, citing benign weather.

Telstra Corporation rose 0.6 per cent to \$5.48 after a decision to send more than 600 jobs offshore. In the retail sector Woolworths added 0.8 per cent to \$36.22, while Wesfarmers, owner of Coles, gained 0.2 per cent to \$43.73.

**Mining** stocks were mostly lower despite a closely watched survey indicating **Chinese** factory activity is at an 18-month high. The HSBC manufacturing purchasing managers index for July beat forecasts for a rise to 51 points, lifting to 52 points.

Resources giant BHP Billiton rose 0.2 per cent to \$39.06, as a raft of analysts reiterated "buy" ratings after the **company** delivered a bumper June quarter production report and upgraded its 2015 production guidance on Wednesday. Main rival Rio Tinto added 1.1 per cent to \$65.25, with the spot price for **iron ore**, delivered in **China**, 1.2 per cent lower at \$US94.30 a tonne.

Australia's biggest **gold** producer, Newcrest **Mining**, dropped 6.2 per cent to \$10.78, after flagging a likely impairment charge of up to \$2.5 **billion** after tax. June quarter production rose 15 per cent from the April quarter.

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