

# FINANCIAL REVIEW

SE Market Wrap  
HD **Energy** stocks lift ASX in May  
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Shares inched higher over the past month as investors ignored the adage "sell in May and go away" and optimism about the **energy** sector offset gloom among **iron ore** producers.

The S&P/ASX 200 Index eked out the smallest of gains, rising 0.06 per cent to 5492.5 points, to post the first gain in May in five years. After two consecutive months of gains, shares are ahead 2.3 per cent in the year to date.

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On Friday, the benchmark index fell 30 points, or 0.5 per cent, as **mining** stocks extended their slide and Commonwealth Bank of Australia fell shy of Thursday's record high.

As May drew to a close, the United States S&P 500 was trading at a record high having advanced 1.9 per cent, while most other major developed markets also pushed ahead over the month.

"**Equity** markets were broadly stronger across all sectors and geographies in May as investors' attention shifted from a mixed US earnings season to increased global merger and **acquisition** activity," Bell Asset Management chief investment officer Ned Bell said.

On the local bourse, Commonwealth Bank led the market's gains, lifting 3.8 per cent over the month to \$81.59. But the other big four banks, which report on a different calendar to CBA, all declined after trading without the rights to bumper interim dividends.

Westpac Banking Corporation lost 0.8 per cent to \$34.42, ANZ Banking Group shed 1.7 per cent to \$33.49, and National Australia Bank fell 3.5 per cent to \$33.49.

"The banking sector delivered standout results during bank interim reporting season in May," Goldman Sachs Asset Management head of Australian equities Dion Hershan said. "The banks showed credit growth, great cost control, low bad debts and gave a more promising outlook."

Among other bluechip stocks, Telstra Corporation lifted 2.7 per cent to \$5.34, Woolworths rose 2.8 per cent to \$37.53, and Wesfarmers gained 1.4 per cent to \$43.36. Westfield Group fell 0.7 per cent to \$10.70 as shareholders failed to agree on its restructure plans.

**Energy** was the best-performing sector over the month, up 3 per cent.

"May was something of a watershed month for investors in the **oil** and gas sector," Mr Hershan said.

Shares in **Oil** Search jumped 6.6 per cent to \$9.43 after production began at a major liquified natural gas project in Papua New Guinea it is a partner in. Other **oil** and gas producers that are nearing the start of commercial production on big LNG projects also got a boost. Santos lifted 5.9 per cent to \$14.52, and Origin **Energy** added 1.7 per cent to \$15.09.

Woodside Petroleum rose 3.3 per cent to \$42.17, its highest price since June 2011, as shareholders mulled the **company's** decision to pull out of Israel's Leviathan LNG project. Brent crude **oil** gained 1.4 per cent to \$US110.03 a barrel as Russia and **China** announced a major gas deal.

Aquila Resources was the best-performing stock, climbing 38.8 per cent to \$3.47 as **China's** BaoSteel and Queensland's Aurizon Holdings lobbied a joint takeover bid worth \$1.42 **billion**.

**Mining** was the worst-performing sector for the month, down 3 per cent as the spot price for **iron ore**, landed in **China**, dropped 9.7 per cent to an 18-month low of \$US95.70 a tonne. Resources giant BHP Billiton fell 1.3 per cent to \$37.01, while Rio Tinto lost 2.5 per cent to \$59.30.

**Iron ore** play Fortescue Metals Group plunged 12.7 per cent to \$4.41 over the month.

"The slump in the **iron ore** price over May was inevitable given the strong increase in global supply coming through," Mr Hershan said.

**Copper** and **gold** miner PanAust jumped 37.1 per cent to \$2.20 after majority shareholder **China's** Guangdong Rising lifted its takeover offer to \$2.30 per share.

Junior goldminer Regis Resources was the worst-performing stock, dumping 36 per cent to \$1.56 as analysts slashed 2015 earnings estimates after the **company** provided a disappointing exploration update. The spot price of **gold** fell 3.3 per cent over the month to \$US1257.72 per ounce. Australia's biggest goldminer Newcrest **Mining**, fell 5.3 per cent at \$9.74.

"It was a promising to see the local capital markets really come alive," Mr Hershan said. "A number of initial public offerings, some of good size and quality, along with an uptick in **M&A** activity is creating new opportunities for investors."

Among the biggest IPOs to hit the boards in May, Spotless Group is up 15.5 per cent at \$1.85, while Genworth Mortgage Insurance has risen 19.2 per cent to \$3.16. June is tipped to be an even busier month for new listings.

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