# Utilities sector trading strategy and relevant articles

**Trades:**

AGL Energy (AGL) buy 175 @ $28.34

APA Group (APA) buy 550 @ $9.05

**Decisions and relevant articles:**

I was tasked with investing in the ASX200 utilities sector with $10,000 of capital. This involved researching the relevant stocks and related media articles through sources such as yahoo finance and the ASX. Due to the short time horizon of the investment period, it was in my best interest to choose stocks with higher volatility/returns in order to make a larger return in the period. At the same time, it was necessary to research important indicators of performance in order to choose stocks which would outperform others in the sector.

**AGL:**

I decided to invest in AGL, as at the time of investing, AGL had a favourable earnings per share (0.54) and price to earnings ratio (51.95) compared to the other securities in its sector. Furthermore, it had a beta substantially lower than the market (0.64) and YTD returns of 25%. In February, AGL announced a half financial-year profit after tax of $389 million, up 4% from the previous half.

7/2/17 – half financial year report - <https://www.agl.com.au/about-agl/media-centre/article-list/2017/february/agl-reports-4-percent-growth-in-underlying-profit-after-tax-in-first-half-of-fy17>

“AGL expects Underlying Profit after tax for the financial year ending 30 June 2017 to be within the upper half of its previously disclosed guidance range of $720 million to $800 million, subject to normal trading conditions for the remainder of the year.”

This growth in financials coupled with the strong recent performance and fundamental analysis indicators lead me to choose AGL as one of the investment stocks for the portfolio.

The following two articles were used when researching the company for performance and recent news.

13/3/17 - AGL's $300m gas import plan gaining interest (Macdonald-Smith, Angela) The Australian Financial Review; [Melbourne] 13 Mar 2017.

22/4/17 - AGL high-flyer on Mission Innovation: Energy (MacDonald-Smith, Angela) The Australian Financial Review; [Melbourne] 22 Apr 2017.

**APA:**

Like AGL, at the time of investing, APA had favourable earnings per share (0.2) and price to earnings ratio (46.14) compared to other securities in its sector. It has a beta lower than that of the market (0.9) and had YTD returns of 6%. In its February half financial-year report, APA reported a net profit after tax of $139.8 million, up 40.5% from the previous financial year.

22/2/17 – half financial year report - <https://www.apa.com.au/globalassets/asx-releases/2017/apa-1h-fy17-results-presentation-final.pdf>

APA was looked closely into as there were many investment projects the company was undertaking/looking to undertake:

Cooper's Sole gas project gets APA backing (Macdonald-Smith, Angela) the Australian Financial Review; [Melbourne] 28 Feb 2017.

APA finds friend in bid for Origin's Darling Downs pipes - The Australian Financial Review; [Melbourne] 15 Mar 2017.

This ultimately ended in APA purchasing the Darling Downs Solar Farm in early May with an option to acquire the nearby Beelbee Solar Farm Development site, which has the potential for an additional 150MW of solar energy generation.

<https://www.apa.com.au/news/asx-releases/2017/apa-invsts-in-darling-downs-solar-farm/>

These media released surrounding the firm’s investment decisions saw a rise in the stock price. I saw this opportunity to act on the profit gain, selling the 550 shares @ $9.40 ($170 profit or $0.31 per share).

**Conclusion:**

While AGL suffered a loss, APA gained a profit around the same amount, cancelling out the loss. The loss on the AGL stocks was seen as poor market timing. More strategy in terms of market timing and technical analysis may have negated the effect of this loss.