



ASX slumps 1.8pc as miners, banks drop; Equities

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Body

Australian shares suffered heavy losses yesterday, tracking a slump on Wall Street after upbeat US retail sales data further dented hopes of interest rate cuts by the US Federal Reserve and the Reserve Bank of Australia.

Heightened geopolitical tensions also kept sentiment for risk assets in check. The benchmark S&P/ASX 200 index ended the session down 1.8 per cent in one of the worst sell-offs this year. The All Ordinaries shed 1.8 per cent. Consumer discretionary, utilities and mining were the biggest casualties, all falling more than 2 per cent.

Much of the damage came after US retail sales defied expectations and rose more than forecast last month despite high borrowing costs, stoking fears the Federal Reserve will keep rates high.

"The carnage is the result of a perfect storm," said Tony Sycamore, a market analyst at IG. "Stretched positioning across global equity indices, a third successive month of firm US inflation data contributing to unease within a deeply troubled bond market, against the rising risk of miscalculation and escalation in the Middle East."

There's now a strong likelihood the Fed will keep its policy rate between 5.25 per cent and 5.5 per cent at least until September, according to market pricing. The Australian dollar, which is highly sensitive to US interest rates, hit a five-month low of US64.06¢.

Such was the mood that investors shrugged off better than expected data from China, Australia's biggest iron ore customer. The world's second-largest economy expanded 5.3 per cent in the 12 months to last month, well above forecasts of 4.6 per cent.

Yet, shares in the mining giants slumped, tracking a sell-off in the iron ore price, which slipped 2 per cent in Singapore. Rio Tinto dropped 2.9 per cent to \$128.70 and BHP slipped 1.8 per cent to \$44.97.

Even gold explorers suffered despite the precious metal nearing record highs as fears of a region-wide war in the Middle East sent investors rushing to safe-haven assets. Gold Road **Resources** tumbled 6.2 per cent to \$1.595 and St Barbara shed 7 per cent to 26.5¢. **Ramelius**, up 0.7 per cent to \$1.975, was among the rare winners.

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The big banks also had a painful session. ASX heavyweight Commonwealth Bank was down 2.1 per cent to \$112.44, erasing nearly all of 2024's gains. Westpac slumped 2.3 per cent to \$24.55, NAB retreated 1.7 per cent to \$33.36 and ANZ fell 2.2 per cent to \$28.36, though all three lenders held on to their healthy annual gains.

Suncorp fell 1.3 per cent to \$15.83 after filing a prudential breach with banking regulators.

Star Entertainment Group tumbled 14.4 per cent to 41.5¢ as an inquiry into the casino operator continues.

Shares in Woolworths shed 1.2 per cent to \$31.88 after CEO Brad Banducci was threatened with prison time for contempt at a Senate hearing about supermarket pricing. Coles fell 1.2 per cent to \$16.01.

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