

Market Today

Resources give shares energy

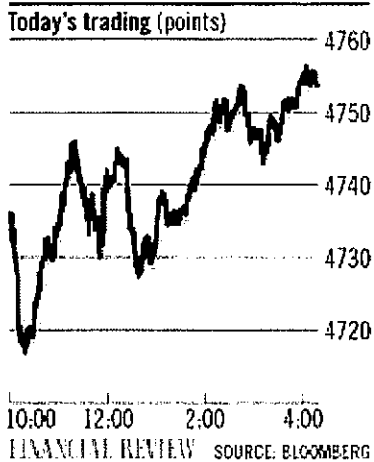
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Equities

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Resource and energy stocks helped the sharemarket rebound off five-week lows and offset weaker sentiment caused by a surprise fall in retail sales figures.

S&P/ASX 200



The S&P/ASX 200 slid into the red during early trade before a recovery in mining stocks and a strong performance from National Australia Bank pulled the benchmark index 13.6 points higher to close at 4753.7. The broader All Ordinaries Index posted a 15.1 points gain at 4828.90.

Regional markets were mixed. The Nikkei rose 154.4 points to 10,004.2, the Hang Seng drifted 53.63 lower to 23,261.61, while China's Shanghai Composite inched 6.39 higher to 2872.4.

March retail data surprised market watchers with nominal sales figures down 0.5 per cent, well below market expectations of 0.5 per cent growth, showing economists may have overestimated the return of consumer confidence.

Northward Capital chief investment officer Simon Rutherford said the result showed that consumer spending was still restrained, despite lower household debt levels. "The sequence of interest rate rises and the weakness in the housing market is affecting sentiment now, despite the strong employment outlook", Mr Rutherford said.

The high national saving rate, above 10 per cent, is a result of consumer fears sparked by the global financial crisis, he said.

Combined with the strong Australian currency, the high savings rate has proven a double threat to retail earnings.

The \$A dollar, which has dropped to about \$US1.07, was up 5.5 per cent against the US dollar and 3.9 per cent against the yen during April. Its performance pushed the S&P/ASX 200 down 0.2 per cent last month, underperforming US, UK and Japanese counterparts.

Today's retail figures show a 3 per cent drop in department store spending and a 0.4 per cent cut in spending on food.

David Jones dipped 3¢ to \$4.49 and Myer eked out a 1¢ gain at \$3.17. Woolworths, which has suffered from a disappointing first quarter, rallied 12¢ to \$26.97, while Wesfarmers was steady at \$32.80.

The impact of weak consumer sentiment is not confined to the retail sector. Media companies are lagging the market as confession season continues and the effect of lower discretionary media advertising rates become evident.

News Corp reiterated its full-year earnings forecast despite a 24 per cent decline in its third-quarter earnings figures. News shares slumped 59¢ to \$16.69.

Shares in Fairfax Media, publisher of *The Australian Financial Review*, fell 4.5¢ to \$1.14, following a profit downgrade announced on Tuesday.

Media stocks accounted for six of the 10 worst-performing index members.

Ten Network lost 4¢ to \$1.24 and APN News and Media 5.5¢ to \$1.41 after it warned on profits and restructuring on Wednesday. Seven West Media shed 17¢ to \$4.74 and Southern Cross Media slid 4.5¢ to \$1.44. However, Seven Group shares rose 12¢ to \$9.12.

SEEK, which presented bullish forecasts to investors on Tuesday, fell 9¢ to \$6.96.

Following sharp declines earlier in the week, resources stocks staged a relief rally despite weak commodity prices that pushed the London Metal Exchange index 2.7 per cent lower to a six-week low.

Copper was off 2.4 per cent at \$US9124 a tonne, just \$US6 short of lows posted in the aftermath of Japan's earthquake. Gold rose \$US3.38 to \$US1519.70 an ounce and oil prices fell to \$US108.74 a barrel from \$US109.24.

BHP Billiton rose 29¢ to \$45.44 while Rio Tinto gained 21¢ to \$81.09 on predictions of a bullish iron ore market.

Santos rose 10¢ to \$14.96 and Newcrest closed up 24¢ at \$40.23.

Wilson Asset Management portfolio manager Matthew Kidman said that despite the current anomaly between lower commodity prices and higher resource stocks, if the LME continues to pare back for the longer term, the share price will "head in the same direction, it just might not be day-to-day in lock step with it", he said. "It wouldn't surprise me if resources went up for a week, but I think value in the market sits in the industrial side."

Telstra put on 4¢ to \$2.96, but with an increase in clarity about the business direction, and the national broadband network deal imminent, Mr Kidman suggested they would see reasonable growth and the share price could reach \$3.50.

The telecommunications sector is 5.46 per cent higher over the past week.

National Australia Bank climbed 62¢ to \$27.01 following its announcement of a 7.9¢ rise in cash earnings to \$2.67 billion for the first half.

Westpac Banking Corp improved 38¢ to \$23.73, while Australia and New Zealand Banking Group rose 14¢ to \$23.59. Commonwealth Bank was steady at \$52.67.

S&P/ASX 200: The day's best and worst

BEST	Price (\$)	Up (\$)	Change (%)	Recent news
Aquarius Platinum	5.500	0.560	11.34	Rallies after acquiring mining rights in South Africa
Lynas	2.190	0.160	7.88	Rare earths prices tipped to rise, says Goldmans Sachs
Carnarvon Petroleum	0.225	0.015	7.14	Biggest one-day gain since Sep last year
Sundance Resources	0.380	0.025	7.04	Company to raise \$60 million
Auroa Oil and Gas	2.760	0.150	5.75	Second session of gains following investor presentation

WORST	Price (\$)	Down (\$)	Change (%)	Recent news
Seven West Media	4.690	-0.200	-4.09	Media stocks weaker after News Corp profit drops 24%
Fairfax Media	1.140	-0.045	-3.80	Falls following broker downgrades
Pacific Brands	0.690	-0.030	-4.17	Third consecutive session of falls
Stockland	3.470	-0.120	-3.34	Slide follows fall in property market
APN News and Media	1.410	-0.055	-3.75	Company says first-half earnings will fall

FINANCIAL REVIEW

As at 3:40pm, 5/5/11

SOURCE: REUTERS, BLOOMBERG

S&P/ASX 200 best and worst performers

Past month

BEST	Change (%)
Mesoblast	18.9
Medusa Mining	15.5
Infigen Energy	11.3
Transfield Services	9.3
Seven Group	6.9
Regis Resources	6.7
Equinox Minerals	5.7
Telecom New Zealand	5.6
TPG Telecom	5.2
Envestra	5.0

WORST	Change (%)
Hastie Group	-76.8
ERA	-40.7
Carnarvon Petroleum	-33.8
Gunns	-23.0
Bow Energy	-20.8
Sundance Resources	-20.6
BlueScope Steel	-20.3
Gryphon Minerals	-20.1
Aristocrat Leisure	-18.6
White Energy	-18.3

FINANCIAL REVIEW

Year-to-date

BEST	Change (%)
Mesoblast	97.6
Ardent Leisure	46.8
Iluka Resources	44.4
Equinox Minerals	31.2
Austar United	29.0
Sigma Pharmaceuticals	28.5
Medusa Mining	26.7
QR National	24.4
Aurora Oil and Gas	23.2
Macquarie Atlas	23.0

WORST	Change (%)
Hastie Group	-77.5
ERA	-56.8
Carnarvon Petroleum	-52.6
Mincor Resources	-38.0
Virgin Blue	-34.8
Sundance Resources	-33.0
Kagara	-32.7
Dart Energy	-31.9
Paladin Energy	-31.6
Pacific Brands	-30.1

As at 3:50pm, 5/5/11

SOURCE: BLOOMBERG

Rolling year records

HIGHS	New high (\$)	Last week (\$)	Last month (\$)
Caspian Oil & Gas	0.017	0.014	0.015
Daton Grp	0.78	0.75	0.75
FlexiGroup	2.39	2.31	2.31
Mesoblast	9.27	8.37	8.45
Nexus Bonds nexus4	70.00	68.05	68.75
Orica pref	101.96	101.65	101.94
Spitfire Res	0.24	0.205	0.205
WDS	0.835	0.735	0.735

LOWS	New low (\$)	Last week (\$)	Last month (\$)
ADX Energy	0.073	0.083	0.083
AJ Lucas Grp	1.55	1.62	1.61
Alliance Res	0.20	0.23	0.23
Alligator Energy	0.105	0.13	0.13
Altura Min opt aug11	0.015	0.023	0.023
APN News & Media	1.39	1.56	1.535
Artemis Res opt jun11	0.005	0.007	0.007
Bassari Res	0.087	0.125	0.12
Betashares Gold Etf etf unt	5.90	-	-
Billabong Int'l	6.53	6.65	6.65
Biotech Capital	0.11	0.14	0.125
Bisan	0.02	0.025	0.025
BlueScope Steel	1.615	1.72	1.72
Bone Medical	0.014	0.02	0.02
Bow Energy	0.825	0.885	0.885
Careers Multilist	0.10	0.135	0.135
Catalpa Res	1.34	1.435	1.435
Cobar Cons Res rts13mayd	0.01	0.20	0.20
Count Financial	1.05	1.13	1.13
CSR	2.83	2.99	2.99
E & A	0.165	0.17	0.17
Energy Res	4.66	5.34	5.34
Exterra Res ets citi	4.21	-	-
Fairfax Media	1.13	1.315	1.25
FarmWorks Aust	0.06	0.075	0.075
Fox Res	0.069	0.082	0.082
GR Engineer Ltd	1.65	1.80	1.76
GRG Int'l	0.15	0.19	0.19
Hemisphere Res	0.28	0.29	0.29
Hillcrest Litigation	0.041	0.042	0.042
IDT Aust	0.40	0.43	0.43
Incremental Oil & Gas	0.295	0.32	0.32
Jacka Res opt dec12	0.026	0.03	0.03