



WHK MARKET UPDATE for 17 January 2011

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Market Summary

The Australian market held onto gains over the week as international markets returned to positive sentiment despite there being a sizable amount of the country underwater. For the week, the All Ordinaries gained 1.07% while the ASX S&P200 rose 2%. Financials pushed higher with ANZ up 0.56%, CBA up 2.96%, NAB gained 2.79%, Westpac up 1.57% while investment bank MQG rose 4.34%. Insurers were hurt with Suncorp off 5.23% while QBE gained 2.2%. Retailers were higher with Woolworths up 4.92% Wesfarmers rose 3.52% and Harvey Norman gained 6.2%. Telstra rose 2%.

Asian markets ended mixed with shares in China weighed down by concerns over further tightening measures ahead of its December inflation data this week. European stocks finished mostly lower on Friday, as investors' mood soured after China raised banks' reserve-requirement ratio and data showed an unexpected decline in US consumer sentiment. On the positive side, however, strong results from US chip giant Intel Corp. lifted technology shares. US stocks reached their highest closing levels in two and a half years on Friday, driven by a rally in the financial sector following stronger-than-expected earnings from JP Morgan Chase. US economic data came in mixed. US retail sales posted a smaller-than-expected increase of 0.6% in December, and the Reuters/University of Michigan consumer sentiment index's preliminary reading for January unexpectedly fell. Meanwhile, there was a smaller-than-expected increase in US business inventories in November due to strong holiday sales that drew down supplies, while industrial production and capacity utilisation improved more than expected last month.

The Australian market should start the week in a positive fashion with the SPI Futures indicating an 11 point rise at the open. Asian futures markets are mixed.

Australian Company & Economic Reports

Leighton (LEI) is resuming work on the \$4.1bn Airport Link in Brisbane after massive flooding halted operations this week, chief executive David Stewart said. Stewart said that employees have been able to return to the site and resume work. Leighton employees are returning to work on projects across Queensland that have been disrupted by the recent massive flooding but Stewart couldn't say whether the majority of the company's operations in the state had resumed. LEI strengthened 24 cents (0.76%) to \$31.75.

Incitec Pivot (IPL) said that there has been some impact on its operations from the Queensland and northern New South Wales floods. The extreme weather stopped the manufacturing plant at Helidon in South East Queensland on Jan 11 but this is expected to resume early next week. The business in the Bowen Basin in Central Queensland was severely disrupted because of temporary closure of mines and lack of access from explosives service centres, Incitec's Chief Executive James Fazzino said. IPL fell 2 cents (0.46%) to \$4.33.

MAp Group (MAP) has welcomed a five-year aeronautical charges agreement at Brussels Airport that will see overall average annual charges rise by an expected 1.43% above the consumer prices index. MAP, which owns 39% of Brussels Airport, said the agreement was the result of consultation between the airport and its airline partners encompassing facilities, service and charges. The company said the charge increases include returns associated with the Pier A West project, which aims to increase capacity with an extra 20 contact gates. The new charges will be effective from April 1, 2011 to March 31, 2016. MAP gained 2 cents (0.67%) to \$3.00.

International Market Report

The Dow Jones Industrial Average rose 55.48 points (0.47%) to 11,787.28, its highest close since June 28, 2008. The gain put the Dow industrials up 0.96% for the week, extending the measure's winning streak to a seventh week. The Dow's financial components led its climb after JP Morgan posted a 47% jump in fourth-quarter profit, beating analysts' expectations as revenue increased and loan-loss reserves were sharply reduced. JP Morgan's shares rose 1%, while shares of rival Bank of America jumped 3.3% ahead of its earnings results due next week. Intel limited the advance, however, falling 1% even as its fourth-quarter earnings rose 48%, topping analysts' views. Investors said they were unsure how much longer Intel will be able to post such strong numbers amid a weakening personal-computer market. In addition, Intel shares had climbed earlier in the week ahead of the report, and it still ended the week 2% higher. The Nasdaq Composite added 20.01 (0.73%) to 2,755.30, its highest close since Nov. 6, 2007. The Standard & Poor's 500 index gained 9.48 (0.74%) to 1,293.24, its highest close since August 2008.

The Stoxx Europe 600 index fell 0.1% to 283.77 on Friday, but posted a gain of 1% for the week. Helping set the trading tone, China's central bank said it will once again increase the amount of cash that banks must keep in reserve. Resource stocks weighed on the UK's FTSE 100 index, which declined 0.4% to 6,002.07. Mining stocks are very sensitive to economic news, particularly from China - a major consumer of numerous metals and other commodities.

The Nikkei Stock Average fell 0.9%, China's Shanghai Composite fell 1.3% and Hong Kong's Hang Seng Index gained 0.2%.

Base metals closed mixed on the London Metal Exchange, recovering some of the day's earlier losses as investors bought into dips triggered by a mixed bag of economic news from China and the US. Aluminium fell \$13 (0.52%) to \$2,472 while copper rose \$60 (0.63%) to \$9,650 and nickel firmed \$325

(1.27%) to \$25,875. Zinc weakened \$5 (0.20%) to \$2,457 and lead added \$43 (1.63%) to \$2,678. Comex copper was last quoted at 443.00 US cents per pound. Gold futures skidded to a seven-week low as stability in broader markets weakened the yellow metal's safe-haven allure. Spot gold was last quoted at \$1,360.85. Comex gold futures lost \$26.60 (1.92%) to \$1,360.40. Spot silver was last quoted at \$28.42. Oil edged higher as stronger equities and positive US economic data outweighed the impact of monetary tightening in China. West Texas Intermediate was last quoted at US\$91.54 per barrel.

Please call Chris DiMattina or Damien Smith on 1300 135 543 if you would like to discuss any of the above.

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