



WHK MARKET UPDATE for 20 April 2011

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Market Summary

Yesterday the Australian market pushed lower in line with the US markets. Resources and contractors took the majority of the falls as participants worried about world growth. Asian shares fell after the announcement by S&P on the outlook for US government debt. Many resource-sector stocks declined as crude-oil and base-metal prices lost ground on the ratings agency's warning. European stocks partially recovered from one of the deepest declines in weeks, as well-received company updates boosted shares. The Stoxx Europe 600 index rose 0.5% to settle at 274.42. US stocks rose, clawing back some of Monday's losses as positive earnings news helped buoy shares.

In economic news, US home construction in March bounced back from the previous month's very low levels, though overall numbers for the troubled sector remained weak. Construction of homes and apartments last month jumped 7.2% from a month earlier to a seasonally adjusted annual rate of 549,000 from a revised 512,000 in February. Building permits, a gauge of future construction, climbed 11.2%, beating projections of a 3.0% increase.

Today we can expect a better session as the US market rebounded from the tough previous session. The SPI Futures are 31 points higher this morning and Asian markets are mixed.

Australian Company & Economic Reports

Merchandise Imports Up: Merchandise imports rose 2% to \$18.1bn in Mar from Feb in seasonally adjusted terms, the Australian Bureau of Statistics said. The bureau said intermediate merchandise goods and fuels contributed strongly to the rise.

Woodside Petroleum (WPL) said it may be difficult to recover a four-week delay to the construction timetable of its \$14bn Pluto liquefied natural gas project caused by bad weather. Woodside also reported an expected 19% decline in first-quarter production volumes but its revenue only fell 3% due to higher oil prices. Production volumes for the three months to Mar 31 fell to 15.6m BOE, from 19.2m BOE a year earlier as revenue slipped to \$998m from \$1.03bn. WPL declined 72 cents (1.54%) to \$46.05.

Leighton Holdings (LEI): A joint venture involving Leighton has won a US\$586m, 66 month mining service contract at a diamond mine in Botswana. Leighton, which has 60% of the contract, said the joint venture involving Basil Read Mining and Bothakga Burrow would provide services including mine

scheduling, drill and blast, truck and shovel waste removal and limited ore mining. LEI fell 63 cents (2.56%) to \$24.00.

International Market Report

The Dow Jones Industrial Average rose 65.16 points (0.53%) to finish near the day's highs at 12,266.75. The Standard & Poor's 500-stock index added 7.48 points (0.57%) to 1,312.62 while the Nasdaq Composite gained 9.59 points (0.35%) to 2,744.97. The gains came one day after the Dow fell 140 points on credit-ratings firm Standard & Poor's decision to lower its outlook on the US government's AAA credit rating. Traders and investors said that many of those worries were being shrugged off a day later.

Energy stocks also were strong, as oil jumped to over \$108 a barrel. Exxon Mobil and Chevron gained 0.8% and 0.9%, respectively. Financial stocks were mixed as a number of big banks reported earnings. Goldman Sachs Group's first-quarter

earnings and revenue easily topped forecasts, but concerns arose about the sustainability of its gains. Goldman fell 1.3%. US Bancorp fell 1.2% and Comerica dropped 2.2% as the lenders saw their earnings soar, though in both cases the gains came largely from drops in loan-loss provisions. Citigroup soared 2.5% and J.P. Morgan gained 1.6%.

London's FTSE 100 index rose 0.5% to close at 5,896.87. Mining stocks contributed to gains on rising metals prices. Shares of Fresnillo PLC rose 3%, Anglo American PLC gained 2.4%, and Lonmin PLC added 1.8%. Germany's DAX 30 index edged up 0.2% to settle at 7,039.31, while France's CAC 40 index added 0.7% to finish at 3,908.58, helped in part by gains for auto shares. The European Automobile Manufacturers' Association said European Union new-car registrations fell 5% overall in March, with most European markets weak outside Germany and France. Shares of BMW AG jumped 2.8% and those of Volkswagen AG rose 1.5%, while Peugeot SA added 2.6%.

Trading volumes were light ahead of the Good Friday and Easter holidays in some regional markets, with some analysts also viewing the day's sell-off as a temporary reaction. Japan's Nikkei Stock Average fell 1.2% to 9,441.03, China's Shanghai Composite shed 1.9% to 2,999.04, Hong Kong's Hang Seng Index lost 1.3% to 23,520.62, Taiwan's Taiex slid 0.9% to 8,638.55 and South Korea's Kospi dropped 0.7% to 2,122.68. The yen's strength after the S&P announcement on the US ratings outlook weighed on Tokyo shares, sending exporters such as Canon and Toyota Motor down 1.8% and 3.1%, respectively. Shares of technology firms dropped after US chip maker Texas Instruments said its first-quarter results and second quarter guidance were hurt by the March 11 earthquake in Japan. In Seoul, Samsung Electronics overcame early losses it suffered following news that Apple had filed a lawsuit in a US court, claiming the South Korean handset maker copied the US maker's popular iPhone smartphones. The stock finished 0.9% higher. Also helping to support the South Korean market, shares of LG Display and LG Electronics rose 6.2% and 2.5%, respectively, on hopes of improved second-quarter earnings. Resource stocks skidded after several commodity prices fell in the wake of the S&P downgrade. In Hong Kong, Cnooc fell 2.1%, while Aluminum Corp. of China and Jiangxi Copper tumbled 3.9% and 3.4%, respectively, in Shanghai.

Base metals closed mostly higher on the London Metal Exchange, supported by renewed signs of economic growth in the US and buoyant equities markets. Aluminium rose \$40 (1.50%) to \$2,714 while copper firmed \$115 (1.25%) to \$9,340 and nickel fell \$200 (0.78%) to \$25,300. Zinc added \$4 (0.17%) to \$2,329 and lead strengthened \$29 (1.15%) to \$2,557. Comex copper was last quoted at 423.80 US cents per pound. Gold touched a record \$1,500 as traders drew positive sentiment from a weaker dollar and higher oil prices. Spot gold was last quoted at \$1,492.30. Comex gold futures increased \$1.60 (0.11%) to \$1,494.50. Spot silver was last quoted at \$43.85. A weaker US dollar pulled oil higher, after a report showing unexpected euro-zone growth sent the greenback falling against the euro. West Texas Intermediate was last quoted at US\$108.15 per barrel. Risk-taking resumed as currency traders took stock of Standard & Poor's previous-day announcement of a negative rating outlook for US debt and decided it wouldn't derail global growth or the market's general preference for higher yielding currencies. At 07:45 AM (AET) the US dollar was quoted at 0.6978 euros, 82.55 yen, 0.9505 AUD and 61.29 pence.

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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