



WHK MARKET UPDATE for 7 April 2011

This publication is issued as a general market update to our valued clients and we have therefore not taken into account your individual investment objectives, financial situation and particular needs. Before making an investment decision on the basis of this update, we recommend you contact us to seek individual specific advice to ensure your investment objectives, financial situation and particular needs are met.

Market Summary

Yesterday, the local market ended higher, with defensive stocks performing strongly. Asian stock markets were mostly higher, as investors took a rate move from China's central bank in their stride, while gold plays around the region gained as the metal's price neared all time highs.

European stocks ended higher, with markets finding encouragement in a successful Portuguese bond auction and strong German factory orders. The Stoxx Europe 600 index rose 0.2% to close at 281.57.

The financial sector led US stocks higher as investors were encouraged by capital-raising plans from several European banks, but disappointment over earnings from Monsanto limited the markets climb. The Dow Jones Industrial Average rose 32.85 points (0.27%) to 12426.75, its highest close since June 5, 2008.

Australian Company & Economic Reports

Rio Tinto (RIO) and Riversdale Mining (RIV): Rio said its interest in Riversdale has risen to 46.78%, marginally shy of the target it set itself for effective control of the coal producer ahead of a late-day deadline. The company has offered \$16.50 a share, which would value Riversdale at almost \$4bn, provided it has acceptances for more than 47% of the shares by Wednesday evening. This threshold would give Rio a stake greater than that of the next two largest shareholders together, and Rio has said that if it fails to reach this level the offer price reverts to \$16 a share. RIO dropped 6 cents (0.07%) to \$86.10. RIV rose 5 cents (0.31%) to \$16.42.

Qantas Airways (QAN) could face picket lines, protests and go-slow action by baggage handlers worldwide after unions warned they were mulling a global strike against the airline. The International Transport Workers' Federation said the group's executive would meet in London next week to discuss broader action against Qantas, which is facing a strike in Australia over pay and conditions. About 9,000 staff have threatened to walk out over the company's dispute with the Transport Workers' Union, or TWU, and tensions escalated this week when Qantas said it was training managers as potential "strike-breakers." ITF general secretary David Cockroft condemned the program, saying it "seriously call(ed) into question whether Qantas management are actually sincere about any future negotiations with their own personnel." QAN rose 1 cent (0.45%) to \$2.24.

International Market Report

Cisco Systems jumped 4.9%, and the Dow's other technology components also rose, with Hewlett-Packard up 2.2%, Microsoft up 1.4%, and Intel up

1.2%. Financial components were also strong, with American Express climbing 2.3%, JP Morgan Chase rising 2.3%, and Bank of America up 1.9%. Investors are hoping that the capital raising by European banks will lead to improvements similar to those seen in US banks after they underwent massive capital boosts of their own in recent years.

The Nasdaq Composite edged up 8.63 (0.31%) to 2799.82, its highest close since Feb. 18. The Standard & Poor's 500-stock index tacked on 2.91 (0.22%) to 1335.54, its highest close since February 18, with its financial sector leading to the update while the materials sector fell.

The materials sector was weighed down by a drop of 5.7% in Monsanto. The agribusiness giant's fiscal second quarter profit climbed 15% as sales of seeds and herbicides grew and margins improved, but revenue missed Wall Street expectations.

Stocks extended gains after data showed that German manufacturing orders rose 2.4% in February from the previous month, well above the 0.5% gain that had been forecast. The data come ahead of the European Central Bank's meeting Thursday, where the bank is expected to raise interest rates.

Peripheral euro-zone markets pushed ahead in the wake of a bond auction in Portugal. Spain's IBEX 35 index gained 1.6% to 10,845.10. The Greece ASE Composite Index rose 2.6% to 1,528.67. Portugal's PSI 20 index edged up 0.3%, erasing earlier losses. In Italy, banking giant Intesa Sanpaolo SpA said it will tap shareholders for up to EUR5bn to boost its capital base. The company's shares rallied 5.4% in Milan, helping the FTSE MIB index gain 1.2% to 22,326.52.

The German DAX 30 index rose 0.6% to close at 7,215.11. Shares of Commerzbank AG rose nearly 2% after the bank outlined plans to repay around EUR14.3bn of state aid. On the downside, shares of French utility Electricite de France SA fell 3.1% after the government said it would freeze natural-gas prices. The FTSE 100 index rose 0.6% to close at 6,041.13.

Japan's Nikkei Stock Average ended down 0.3% at 9584.37, South Korea's Kospi Composite fell 0.2% to 2126.71, Hong Kong's Hang Seng Index added 0.6% to 24285.05, China's Shanghai Composite tacked on 1.1% to 3001.36 and India's Sensex fell 0.4% to 19612.2. The People's Bank of China raised interest rates by 0.25 percentage point. The move, effective Wednesday, marks the fourth increase in less than six months and follows a spate of other tightening measures. Shares in China rose, with insurers up on expectations the rate move would boost investment income. Banks were higher on expectations the rate rise would help net interest margins.

Japanese stocks fell as concerns about the pace of recovery after the March 11 earthquake and tsunami continued to weigh. Tokyo Electric Power, the operator of the stricken Fukushima Daiichi nuclear power plant, slumped 6.9% to its lowest close on record despite news that the uncontrolled leakage of highly radioactive water into the ocean from a cracked concrete pit at its No. 2 reactor had stopped. Weakness in the yen helped some exporters but the boost isn't as strong as it would've been before the earthquake because exporters are not producing at their normal capacity due to the rolling blackouts. Among exporters, Canon rose 0.6% while NEC fell 1.2%. In Korea, Samsung Electronics was down 2.3%, hurting the broader market, amid

concerns the heavyweight would report lower-than-expected first-quarter operating profit Thursday.

Base metals rallied to a strong close on the London Metal Exchange, boosted by a floundering US dollar and signs of economic growth in the euro zone. Aluminium rose \$52 (1.97%) to \$2,668 while copper firmed \$50 (0.52%) to \$9,595 and nickel added \$205 (0.78%) to \$26,425. Zinc strengthened \$110 (4.70%) to \$2,450 and lead gained \$180 (6.82%) to \$2,820. Comex copper was last quoted at 436.40 US cents per pound. Gold futures settled at a fresh record high and silver posted its highest price in more than three decades as investors continued to fret about global inflationary pressures from high oil prices. Spot gold was last quoted at \$1,460.65. Comex gold futures climbed \$38.60 (2.72%) to \$1,458.50. Spot silver was last quoted at \$39.56. Oil settled higher, after fluctuating between gains and losses, as traders weighed rising US stockpiles against the continued threat of unrest in the Middle East. West Texas Intermediate was last quoted at US\$108.83 per barrel. After some left it for dead less than a year ago, the euro Wednesday continued to rise despite Portugal's admission that it would need European Union money, with a possible new lease on life likely to come from a tough-on-inflation European Central Bank. At 07:45 AM (AET) the US dollar was quoted at 0.6975 euros, 85.39 yen, 0.958 AUD and 61.24 pence.

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

Disclaimer:

Produced by WHK Group Research Team (WHKR)

This publication is intended to provide background information only and does not purport to make any recommendation upon which you may reasonably rely without taking further advice. This publication does not take into account any person's investment objectives, financial situation and particular needs. The information contained within this publication was compiled by WHK Group Research Team (WHKR), part of WHK Group Limited (WHK) and is based on materials from other sources including Morningstar Inc © 2009 and WHKR nor Morningstar provide no warranty regarding the accuracy or completeness of the information. All opinions, conclusions, forecasts or recommendations are reasonably held at the time of compilation but are subject to change without notice by WHKR. WHKR assumes no obligation to update this document after it has been issued. Except for any liability which by law cannot be excluded, WHK, its Directors, employees and agents or affiliates disclaim all liability (whether in negligence or otherwise) for any error inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by the recipient or any other person directly or indirectly through relying upon the information.

To the extent that any of the content above constitutes advice, it is general advice and, you should obtain a copy of and consider the Product Disclosure Statement (where applicable) for that product before making any decision. Some material is copyright and published under licence from ASX Operations Pty Limited ACN 004 523 782 ("ASXO"). Consensus forecast data is copyright Thomson Financial. Employees may have an interest in the securities discussed in this report. WHK may receive a fee for advice and/or the implementation of an investment decision. WHK and their representatives may have financial interests in some/any of the product(s) included within this report. Please refer to our Financial Services Guide (FSG) for more information. Any further advice will be provided either by WHK Financial Planning Pty Ltd AFSL: 238244.

Please note: WHK new address is Level 17, 181 William Street, Melbourne VIC 3000. Our main contact number has also changed to 03 9258 6700.