



WHK MARKET UPDATE for 5 May 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

The share market remained under pressure, hitting a fresh five-week low as offshore selling continued because of Australian dollar strength and profit-taking on ANZ and Westpac after their first-half results. European stock markets dropped sharply with alternative energy, mining and oil sectors posting particularly heavy losses. The Stoxx Europe 600 index slumped 1.4% to end at 278.52.

US stocks fell Wednesday, pressured by disappointing economic data, weaker commodity prices and lacklustre earnings reports. Economic data on Wednesday weighed on shares. The Institute for Supply Management's index of non-manufacturing activity for April came in below economists' expectations. Automatic Data Processing reported that private-sector jobs in the US rose 179,000 in April, missing economists' forecast. The government on Friday will release its monthly employment report.

Locally, we can expect a negative start to trading day, with the SPI Futures down 22 points. Asian Futures are also pointing to a lower start. **Trading ex-dividend** today is **GPT Group**.

Australian Company & Economic Reports

New Home Sales Rise: New homes sales rose 4.3% in March, but the industry still remains depressed, the Housing Industry Association said. New home sales were boosted by a 5.8% rise in detached house sales, but apartment sales fell 10% in March, adding to a 7.6% fall in February, the HIA survey showed. New house sales increased by 13.5% in New South Wales, 11.1% in Queensland, 3.6% in Victoria and 3.1% in Western Australia. Sales fell by 6.4% in South Australia.

Westpac Banking Corp (WBC) said its net profit rose 38% in the first half of fiscal 2011, helped by a steep decline in bad debt charges and a \$1.1bn tax benefit. The bank said the operating environment was "broadly supportive" despite consumer and business caution about future interest rate rises, global political unrest and the impact of natural disasters. "Key indicators were generally positive during the half, with the economy generating good growth, low unemployment and moderate inflation," said Chief Executive Gail Kelly. The bank booked a record net profit of \$3.96bn for the six months to March 31, compared with \$2.88bn the previous year. The bank said impairment charges of \$463m were down 47% compared to the same period last year and were 20% lower compared to the second half of fiscal 2010. Lending

increased over the year to March 31 by \$10bn, or 2%, with Australian home loans rising \$18bn, or 6%.

Westpac's closely watched cash profit was \$3.17bn, up 7% on a cash profit of \$2.95bn for the same period last year. The bank said the financial impact of a summer of natural disasters, which included floods in Queensland and Victoria, cyclones in Queensland, and the Christchurch earthquake in New Zealand cost it \$140m in pretax earnings in the first half. The bank said it would pay an interim dividend of 76 cents per share, up 17% from 65 cents in the previous period. Its Tier 1 ratio increased to 9.5%. WBC shed 62 cents (2.51%) to \$24.11.

Fortescue Metals (FMG) and Rio Tinto (RIO): The Federal Court upheld an earlier decision by the Competition Tribunal effectively barring Fortescue from accessing a key rail line operated by Rio. The court has dismissed Fortescue's appeals of the earlier decision that prevented smaller mining companies from using the Hamersley rail line in Western Australia and in its ruling said the company would in normal circumstances pay Rio's costs. It said all the parties have been asked to confer by May 11 and file minutes of orders, including on the matter of costs. FMG rose 9 cents (1.5%) to \$6.09. RIO fell \$1.23 (1.5%) to \$80.88.

Coca Cola Amatil (CCL) said it may take some of its food manufacturing operations offshore if the Australian dollar continues to rise. "In terms of food, I don't think we have any choice but to look at the restructuring of our business," Managing Director Terry Davis said. He said Coca Cola is already looking at manufacturing some food in Indonesia, noting that the company sources some of its food inputs from Asia, such as pineapples from Thailand. CCL fell 9 cents (0.76%) to \$11.77.

International Market Report

The Dow Jones Industrial Average dropped 83.93 points (0.7%) to 12723.58, in its biggest point and percentage drop since April 18. The Nasdaq Composite shed 13.39 (0.5%) to 2828.23. The Standard & Poor's 500-stock index lost 9.30 (0.7%) to 1347.32. After surging in April, the S&P 500 index has slipped at the beginning of May in an unusually rocky start. The index hasn't declined over the first three trading sessions of a month since October 2008. Several companies reported disappointing earnings. Deal activity bolstered a few pockets of the market. Varian Semiconductor Equipment Associates soared 51%, after the company agreed to be bought by Applied Materials for \$4.9 billion in cash. Applied Materials shed 1%.

By the close of European trading, US stocks were deep in the red as April data showed a sharp slowdown in service sector growth. Exacerbating the negative mood, the prices of oil, silver and other commodities fell sharply. Among the biggest decliners, shares of Vestas Wind Systems AS sank 8% after the Danish wind-turbine manufacturer said its first-quarter loss widened to EUR72 million from EUR26 million in the year-ago period. Its loss before interest and tax of EUR69 million was much bigger than analysts expected. Other alternative-energy shares also dropped. In France, the CAC 40 index dropped 1.3% to 4,043.13 The German DAX 30 index lost 1.7% to end at 7,373.93. London's FTSE 100 index dropped 1.6% to 5,984.07. Miners posted

steep losses, tracking lower metals prices, with Fresnillo PLC down 5.2% and Rio Tinto PLC down 3.3%. Shares of oil group BP PLC fell 2%. BP said Tuesday it will pay \$25 million in civil penalties plus an additional \$60 million in improvements in its pipeline infrastructure related to an oil spill on Alaska's North Slope in 2006. Other energy-related stocks declined as well, with Royal Dutch Shell PLC off 2.2%, Petrofac Ltd. down 3.7%, BG Group PLC losing 3.1% and Tullow Oil PLC selling off by 3.7%.

In Portugal, the PSI 20 index fell 0.2%, giving up earlier strong gains. Investors digested news that Prime Minister Jose Socrates announced that the government had negotiated a 78 billion euro (\$116 billion) financial-bailout program with the European Union and the International Monetary Fund. Some bank stocks in Portugal rose sharply.

Base metals on the LME finished down. Aluminium fell \$47 (1.68%) to \$2,750 while copper weakened \$226 (2.42%) to \$9,124 and nickel dropped \$1,500 (5.49%) to \$25,825. Zinc shed \$55 (2.45%) to \$2,190 and lead lost \$54 (2.15%) to \$2,455. Comex copper was last quoted at 416.15 US cents per pound. Spot gold was last quoted at \$1,517.26. Comex gold futures slid \$20.60 (1.34%) to \$1,517.20. Spot silver was last quoted at \$39.08. West Texas Intermediate was last quoted at US\$109.24 per barrel.

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.