ASX edges higher for a second day

Equities

William McInnes

Australian shares rebounded from a loss at the open to end slightly higher for a second consecutive day on Wednesday, as the market traded cautiously following a fall in global markets.

"All major European equity indices closed in negative territory," said NAB senior FX strategist Rodrigo Catril.

"US equities also closed lower across the board. Not helping sentiment either, the IMF downgraded its global growth outlook for the third time in six months and its forecast is now the lowest since the financial crisis."

The S&P/ASX 200 Index still managed to close 1.7 points higher at 6223.5, while the broader All Ordinaries advanced one point to 6316.5.

The major banks led the gains. Commonwealth Bank rose 0.7 per cent to $70.75, ANZ advanced 0.1 per cent to $25.68, NAB closed 0.2 per cent higher at $24.63 and Westpac shares climbed 0.2 per cent to $25.90.

Seven West Media announced it had finalised the sale of its 50 per cent interest in Yahoo7 to Verizon Media. The company's shares rose 6.2 per cent to 51.5¢.

GWA Group announced it has completed the takeover of New Zealand-listed Methven, with shareholders set to be paid $NZ1.60 cash per share. GWA's shares rose 3.1 per cent to $3.32.

Gold miners also moved higher as falls in European and US equities increased safe-haven demand. Northern Star Resources rose 2.7 per cent to $9.29, St Barbara climbed 1.8 per cent to $3.36, Evolution Mining lifted 1.4 per cent to $3.73 and Newcrest Mining advanced 1.5 per cent to $25.57.

Resources stocks fell after oil and iron ore prices reversed their gains from the previous day.

BHP fell 0.4 per cent to $39.89 and Fortescue slid 0.4 per cent to $8.17. Woodside Petroleum fell 1 per cent to $35.15, Origin Energy slid 1.1 per cent to $7.23, Oil Search closed 1.1 per cent lower at $8.06, Santos declined 0.4 per cent to $6.99 and WorleyParsons closed at $14.64, down 2.1 per cent.

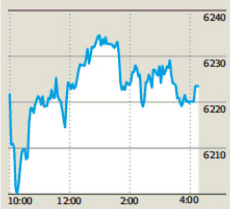
South32 shares extended their losses from the previous session, falling 1.9 per cent to $3.70 and Alumina declined 2.4 per cent to $2.49.

Crown Resorts was among the worst performers after Wynn Resorts shut down takeover talks with the local casino operator. Crown's shares fell 9.1 per cent to $12.77.

Overview

Markets roundup Wednesday

S&P/ASX 200 Index (points)

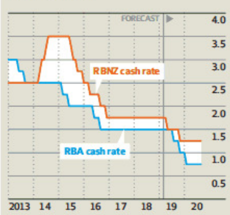


Sector performance (%)

IT	+0.53
Industrials	+0.46
Real estate	+0.36
Financials	+0.27
Cons staples	+0.22
Health care	-0.04
Comms services	-0.10
Materials	-0.33
Cons disc	-0.38
Utilities	-0.39
Energy	-0.72

Chart of the day

Policy rates (%)



Best and worst stocks (%)

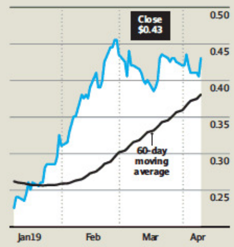
Seven West	+6.19
Estia Health	+3.27
GWA	+3.11
Emeco	+3.03
Whitehaven	+2.84
Northern Star Resources	+2.65
Crown Resorts	-9.11
Independence	-4.13
Sims Metal	-4.09
Janus Henderson	-3.98
Spark NZ	-3.17
Costa Group	-3.08

Stock watch

Nickel Mines

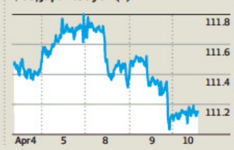
Canaccord Genuity has initiated coverage on Nickel Mines with a buy rating and a target price more than double its current price. The broker said Nickel Mines was superior to its other ASX-listed peers due to its high-grade nickel, long mine life, cost advantages and tangible scale upsides. "With Indonesia expected to be the epicentre of emerging supply to the 2.2mtpa nickel market, Nickel Mines provides direct exposure to bottom-cost quartile nickel production and superior leverage ..." said analyst Larry Hill. Canaccord Genuity gave Nickel Mines a price target of 90¢, at a 120 per cent premium to its Tuesday closing price of 41¢.

Nickel Mines share price daily ($)

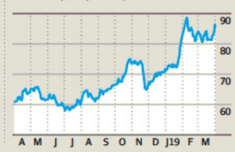


52wk high	$0.46	Fwd EPS	$0.00
52wk low	$0.22	Fwd P/E	n/a
1yr return	n/a	Div yield	n/a

$US/Japanese yen (¥)



Iron ore ($US/tonne)



SOURCE: BLOOMBERG, CAPITAL ECONOMICS

What moved the market

Rate cuts

Capital Economics is forecasting the Reserve Bank of Australia will cut the official cash rate three times before 2020. Its forecast is predicated on house prices continuing to fall, slowing consumption growth and poor GDP growth. "We now expect the RBA to cut rates to 0.75 per cent by the middle of next year, with the first cut happening as soon as August," said senior economist Marcel Thieliant. "That view is more dovish than anticipated by financial markets. The Reserve Bank of New Zealand adopted an explicit easing bias at its March meeting and we think it will start cutting rates in May. Our forecast is that rates will fall to 1.25 per cent by year-end, which is broadly in line with current market pricing."

Iron ore

Iron ore ended a seven-day rally on Tuesday as the price of the bulk metal fell below $US95 a tonne. Weaker buying demand from Chinese steel makers was cited as the reason behind the fall. "End users have flagged that they prefer to replenish their iron ore stocks by buying from port stockpiles," said CBA mining and commodities analyst Vivek Dhar. "Port stockpiles are not only cheaper than buying from the seaborne market, but are available immediately. As seaborne markets feel the tightness of lower cargoes from Australian miners and Vale, we anticipate China's port stockpiles to continue to weaken."

Japanese yen

The Japanese yen benefited from some safe-haven demand on Tuesday as global growth concerns were reignited across various markets. The International Monetary Fund downgraded its 2019 global GDP forecasts from 3.5 per cent to 3.3 per cent, sparking a response from the market as US and European equities fell while the US 10-year Treasury yield fell by 2.2 basis points. The yen has had a strong start to the week's trading, climbing as much as 0.7 per cent in the past three days.

Positive budget

Consumers have responded positively to the federal budget, according to Westpac's latest consumer sentiment survey. The Westpac-Melbourne Institute Index of Consumer Sentiment rose 1.9 per cent to 100.7 in April, from 98.8 in March. "While the month to month rise in sentiment is fairly muted, the survey detail suggests the budget was well-received," said Westpac chief economist Bill Evans. "Sentiment over the course of the week showed a clear boost, with sentiment amongst those surveyed post-budget 7.7 per cent higher than sentiment amongst those surveyed pre-budget – the most positive turnaround since we began tracking pre- and post-budget responses in 2011."