

**DOW CLOSES AT 9,908 TO PUSH AUSTRALIAN TRADE LOWER**

Index	Index Level	Change (%)	Stocks	Price (\$)	Change (%)	Price rises	Price (\$)	Change (%)
ASX S&P200	4539	0.14	ANZ	20.97	0.33	WBC	23.25	2.83
All Ordinaries	4521	0.16	CBA	52.77	0.19	WPL	42.33	1.95
SPI Futures	4442	-0.70	NAB	25.47	0.63	HVN	3.69	1.93
Dow Jones (US)	9908	-1.04	WBC	23.25	2.83	PMC	1.55	1.31
FTSE (UK)	5092	0.62	MQG	50.35	0.24	AFI	5.10	1.19
Shanghai(China)	2935	-0.14	BHP	39.60	0.13	Price falls	Price (\$)	Change (%)
Nikkei 225 (Jap)	9952	-1.05	RIO	67.18	0.87	MGR	1.44	-3.37
Hang Seng (HK)	19551	-0.58	WPL	42.33	1.95	IOF	0.58	-3.36
AUS/USD	0.8646	-0.44	WOW	25.52	-0.58	GPT	0.58	-2.52
Gold (\$US)	1066.00	1.14	WES	27.31	0.48	DXS	0.82	-2.38
Oil (\$US)	71.88	0.24	HVN	3.69	1.93	GMI	1.09	-2.25

**Market Summary**

Yesterday despite the negativity in Europe and weak US gains the Australian share market recovered some of the losses from Friday's session. Both the financial and resource sectors pushed higher as the market looked forward to results from BHP, RIO and CBA.

On the Australian market the SPI futures are showing a fall at the open. Sovereign debt continues to be the focus of world markets due to the European problems. Financials were also in focus in the US with concerns on regulatory changes. Offsetting the negative financials saw a gain on commodity markets which may help to relieve the negative sentiment in the resources sector.

**The Long View**

Today many financial media outlets will be screaming that the Dow Jones Industrial average has closed below the "psychological 10,000 level" for the first time in since November 5 2009. In reality the 10,000 level is an arbitrary point in company value determined by the composition and the prices of 30 largest US companies. The fact that it is an easy number to comprehend is the only thing that makes it psychological.

Rather than focus on a price level of an index look at the value of specific companies through their long term earnings and *then* compare it to prices. If the price is cheap relative to the company's value then look to establish a position in it. If the price is expensive there is no need to purchase it. Buy solid companies at low prices.

**Australian Company & Economic Reports**

**BHP (BHP) and Rio Tinto (RIO):** BHP said Chris Campbell has been appointed as the new president of its iron ore business, replacing Ian Ashby who is set to run the planned iron ore joint venture with Rio Tinto. While Ashby will oversee the operation of the two miner's combined iron ore operations in the Pilbara region of Western Australia, Campbell will be responsible for governance of the joint venture and marketing of BHP's share of production and will also take charge of BHP's iron ore interests outside the Pilbara. BHP rose 5 cents (0.13%) to \$39.60. RIO gained 58 cents (0.87%) to \$67.18.

**Santos (STO)** said that it increased its oil and gas reserves by 42% in 2009 as it builds supplies to underpin the development of its portfolio of liquefied natural gas interests. Proven and probable, or 2P, oil and gas reserves grew to 1.44bn barrels of oil equivalent from 1.01bn BOE, Santos said. Coal seam gas reserves on a 2P basis increased 60% to 3,748 petajoules, with the reserves build for the company's Gladstone LNG joint venture in Queensland ahead of target. At December 31, total 2P reserves for the Gladstone project were at 4,003 petajoules, Santos said. STO fell 5 cents (0.38%) to \$13.15.

**Incitec Pivot (IPL) and UGL (UGL):** Incitec Pivot said it plans to restart work on its \$935m ammonium nitrate plant at Moranbah in Queensland in May. Chief Executive James Fazzino said the project was compelling, "strategically, financially and competitively". UGL, the contractors of Moranbah, said it expects the project will generate income of approximately \$215m. IPL firmed 3 cents (0.92%) to \$3.29. UGL advanced 25 cents (1.92%) to \$13.26.

**JB Hi-Fi (JBH):** said first-half net profit rose 29% and announced Chief Executive Richard Uechtritz's departure. First-half net profit rose to \$76m from \$59m a year earlier and sales rose 23% to \$1.55bn from \$1.26bn for the period ending December 31. JB Hi-Fi declared an interim dividend of 33 cents, up from 15 cents a share last year. The group said December sales were "solid", with comparable store sales rising 6.5% from a year earlier. Management said gross margins "remained relatively stable", despite competitor discounting and strong sales in lower-margin categories. January sales have met the group's internal expectations with comparable store sales up 7.2%. JB Hi-Fi retained guidance for fiscal 2010 sales to be around \$2.8bn, up 20% on year. Management said net profit will be in a range of \$117m to \$120m, which equates to a 24% to 27% increase on the prior year. Uechtritz is retiring to pursue personal and philanthropic interests. He will depart in July or August and will be replaced by Chief Operating Officer Terry Smart. JBH weakened \$1.03 (5.12%) to \$19.07.

### International Market Report

US stocks fell, led by financials such as Bank of America, Wells Fargo and J.P. Morgan Chase, as worries over increasing regulation and the impact of European debt issues continued to weigh. The Dow Jones Industrial Average fell 103.84 points (1.04%) to 9,908.39, marking its first close below the psychologically important 10,000 level in three months. The measure is now off 1.58% for the month to date and is down 4.98% for the year to date.

Bank of America was the Dow's worst performer with a drop of 3.5% to \$14.48. Fellow big bank J.P. Morgan was off 1.6% to \$37.70. Meanwhile, Wells Fargo, which isn't a Dow component, lost 3.6% to \$26.43.

The technology-heavy Nasdaq Composite fell 15.07 (0.70%) to 2126.05. The Standard & Poor's 500 index declined 9.45 (0.89%) to 1056.74, led by its financial sector.

For Australian ADRs listed on the NYSE, **BHP Billiton** fell 1.88%, **Rio Tinto Plc** weakened 3.95%, **Telstra Corporation** shed 1.36% and **Westpac** increased 1.72%.

European shares closed higher as pressure from sovereign debt fears relented and as miners offered encouraging news on payouts. After three straight losses and a weekly drop of 3.85%, the pan-European Dow Jones Stoxx 600 index closed with a rise of 0.7% to 239.04. The major regional indexes closed higher, however. The UK FTSE 100 index rose 0.6% to 5,092.33, the German DAX index climbed 0.9% to 5,484.85 and the French CAC-40 index advanced 1.2% to 3,607.27.

Shares bounced off three-month lows which were reached due to concerns about how the peripheral European countries of Greece, Spain and Portugal are going to bring their widening budget deficits under control. Finance leaders of the Group of 7 countries discussed Greece's situation at a meeting in Canada over the weekend but didn't announce any action. Credit-default swaps on Greek and Spanish government debt tightened.

Xstrata climbed 3.6% as the coal and copper miner said it would resume dividend payments. On the FTSE 100, **Rio Tinto** improved 0.97% and **BHP Billiton** climbed 1.78%.

Asian markets suffered declines on uncertainty over sovereign debt in the Euro zone, but bargain-buying in banks and miners limited losses in some markets. Japan's Nikkei 225 fell 1.1% to 9951.82. South Korea's Kospi shed 0.9%, China's Shanghai Composite slipped 0.1%, Hong Kong's Hang Seng declined 0.6% and Taiwan's Taiex ended flat.

Base metals on the London Metal Exchange traded up as a rise in equity markets and the euro put a stop to the risk reduction-induced drop last week. Aluminium rose \$34 (1.72%) to \$2,013 while copper firmed \$141 (2.25%) to \$6,420 and nickel added \$275 (1.62%) to \$17,300. Zinc strengthened \$78 (3.99%) to \$2,018 and lead gained \$45 (2.33%) to \$1,980. Comex copper was last quoted at 290.00 US cents per pound.

Precious metals gained modestly, recouping some of last week's sharp losses as investors saw the dip as an opportunity to buy the metals at bargain prices. Spot gold was last quoted at \$1,062.10. Comex gold futures increased \$13.40 (1.27%) to \$1,066.20. Spot silver was last quoted at \$15.01.

Crude futures closed higher, although gains were limited by economic doubts. West Texas Intermediate was last quoted at US\$72.03 per barrel.

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