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BYSTANDER BREAKING UP IS HARD TO DO P78

Edited by SEAN SMITH



Shocks rule as market seeks the rock bottom

KATE EMERY

More than 400 days and 3000 points since the Australian stockmarket began its downward slide, market commentators, analysts and brokers are united only in their refusal to call the end of the bourse's woes.

While most experts believe the market has priced in a more serious recession than Australia is facing, the unquestionable value on offer for canny investors has been all but overshadowed by the combination of global economic uncertainty, widespread volatility and the prospect of more stockmarket casualties to come.

Yesterday's 2.4 per cent fall on the Australian market underscored the extent to which fear is ruling the market, as investors close to focus on the US Senate not passing a crucial \$US14 billion (\$20 billion) bailout Bill rather than the Rudd Government's latest \$4.7 billion spending program. More carnage was expected in the US last night as the S&P 500 futures index pointed to a 4.3 per cent freefall.

But there are some positive signs. Billions of dollars pumped into financial markets by governments around the world are starting to bear fruit, with early signs that credit markets are easing.

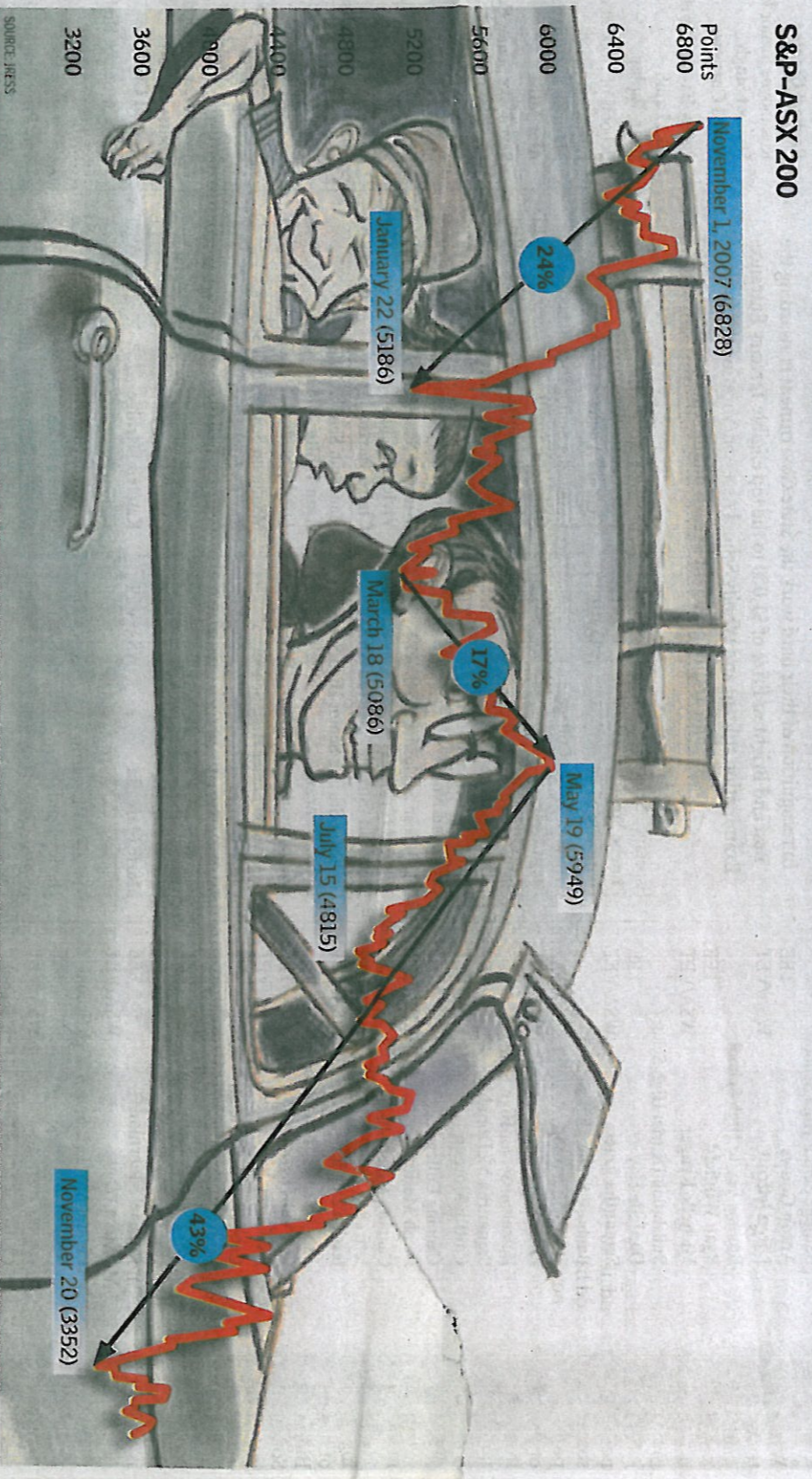
Battered commodity prices are currently on-track for one of their strongest weekly gains on record, according to the Reuters-Jefferies CRB Index of 19 raw materials, as global production cuts support expectations of a price recovery.

Anecdotally, brokers say they are receiving more calls from clients wanting to know if it is time to buy back in.

Entrust Private Wealth Management's Graeme Yulich told *WestBusiness* it was simply "too hard" to tell whether the S&P-ASX 200's low of 3352.94 — reached on November 20 — represented the market's low.

"No one knows if we are at the bottom," he said. "We won't know until six months after the event unfortunately. A lot of the bad news has been factored in, but the biggest factor for the Australian market will be the

ARE WE THERE YET?



numbers coming out of China and that will be over the next few months."

AMP Capital Investors chief economist Shane Oliver said the short-term outlook for shares was "anyone's guess", while Goldman Sachs JBWere equities strategist Chris Piddock was among those to strike a more positive view this week.

"While the near-term macro risks remain high, we continue to believe equity markets are largely pricing this risk in," he said in a note to clients.

"While not professing to be able to identify any near-term inflection points, we continue to highlight that the majority of our long-term value indicators are suggesting now is the

time for investors to be increasing their allocations to equities."

Adding to the difficulty in predicting the future are the series of false dawns that have characterised the market's 13-month volatile ride.

Having watched the market plunge 24 per cent between November 2007 and January, many observers were quick to hail a subsequent 17 per cent rally to May as a "recovery" only to see stocks fall 19 per cent in the next two months.

In characteristic bear market style, the following few months were marked by wild swings before a sudden collapse in the commodities market in October and November

centred a plunge of 43 per cent since May's peaks.

As of yesterday's close the Australian market was off 48.5 per cent from its all-time highs.

"I do think we have passed the floor (and) a lot of the bad news has been factored in," is the way Anstock Securities strategist Michael Hefferman put it. "But I thought we were at the bottom several months ago and then I realised there were a few basement car parks below the floor."

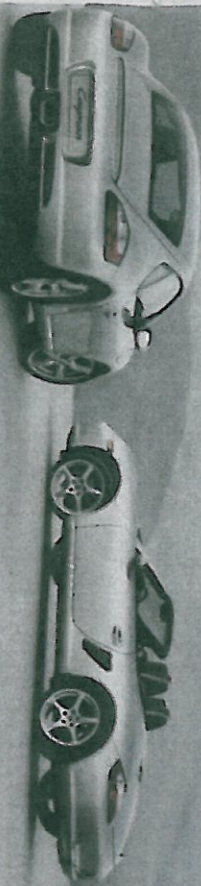
Closely watched in the week ahead will be a wave of economic data out from home and the overseas, including Australian lending finance figures for October and Reserve Bank board

meeting minutes. November US industrial production figures will be out on Tuesday, Perth time, with consumer prices and housing data out later in the week. "The period around Christmas and into January is normally strong for shares and anticipation of more decisive policy action under the incoming Obama administration should be positive for shares," Dr Oliver said.

"Against this though, uncertainty about the economic outlook, not helped by failure for now of a US auto industry rescue plan, will ensure a volatile ride."

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