

# ASX rises as outbreak sparks volatility

## Equities

Luke Housego

Australian shares closed higher yesterday, with volatility dominating as investors balance emerging news of the coronavirus outbreak with forming a view of the outlook beyond the hysteria.

The S&P/ASX 200 Index ended the session 25.4 points, or 0.37 per cent, higher at 6948.7 points, after falling 1.3 per cent a day earlier.

"I think with the extent of the impact unknown, the market is going to remain nervous," said Swell Asset Management chief investment officer Lachlan Hughes.

"Volatility can be your best friend as an investor and certainly we're ready to invest should the right opportunities present themselves," Mr Hughes said, while adding that the firm, taking a long-term view, has not made any portfolio adjustments due to the virus.

As the Australian benchmark rose yesterday, the fallout from the virus outbreak continued to reverberate around markets, with trade in oil in particular feeling the pinch.

The S&P/ASX 200 Energy Index, which includes all oil and gas companies in the broader benchmark, has now fallen 6.19 per cent over the past month as the disruption from the coronavirus weighs on oil demand in China.

A lower crude oil price saw local energy companies extend their losses yesterday. Woodside Petroleum fell 1.54 per cent to \$33.18, Oil Search dropped 2.53 per cent to \$6.55, and Beach Energy lost 1.59 per cent to close at \$2.48.

While local iron ore miners have been similarly exposed to the outbreak, they ended trade higher after recovering through the afternoon from falls.

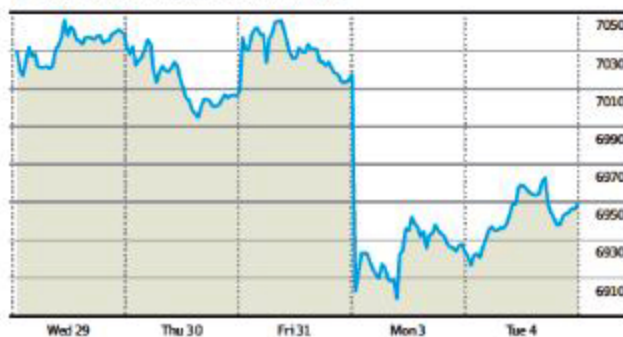
Rio Tinto closed up 0.5 per cent at \$97.34, BHP added 0.16 per cent to close at \$38.31 and Fortescue Metals Group rose 1.45 per cent to \$11.16.

Estimates of how the outbreak will affect the Chinese economy continue to evolve.

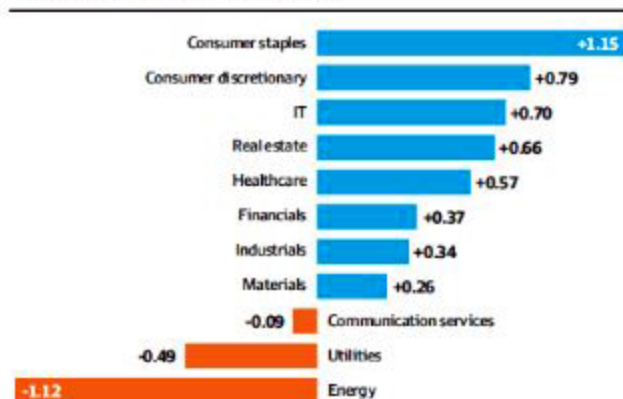
The Commonwealth Bank has lowered its growth forecast for the first quarter of calendar 2020 by 1.5 per cent.

"Beyond Q1, we expect economic growth to rebound solidly from Q2 onwards because of pent-up demand

STOCK MARKET S&P/ASX 200 Index (points)



MARKETS Sector performance, Tuesday (%)



and policy easing," CBA China economist Kevin Xie said in a research note last week. "Overall, we lower our 2019 GDP growth forecast from 5.8 per cent to 5.7 per cent. The risk remains for weaker growth."

Global fund manager Janus Henderson said the number of undefined variables leaves considerable uncertainty.

"Most forecasters expect that China GDP growth in Q1 is likely to dip by 1 per cent to 2 per cent from the 6 per cent annual growth rate that was prevailing before the virus appeared," multi-asset lead Paul O'Connor said. "However, there is still a wide range of plausible

economic scenarios for China, depending on how the virus evolves."

While economists continue to crunch the numbers on the cost of the outbreak, the Reserve Bank of Australia held the official cash rate steady at 0.75 per cent at its first meeting of the year yesterday.

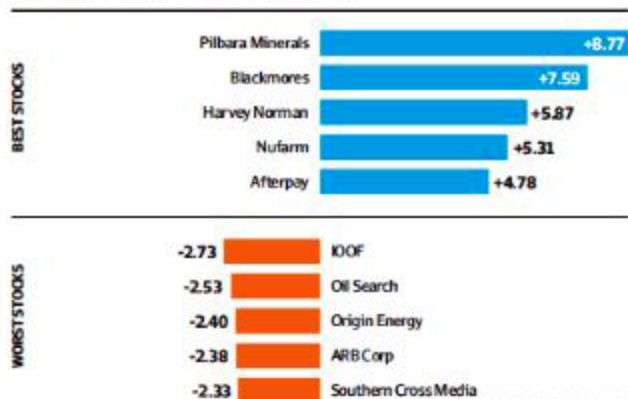
The result was widely expected by the market, but the central bank's commentary that accompanied the decision contained some interesting points.

"What's surprising though is that [the RBA] has retained its expectation for economic growth to pick up to around 2.75 per cent this year," AMP

COMMODITIES WTI crude oil (\$US/barrel)



COMPANIES Stock performance, Tuesday (%)



SOURCE: BLOOMBERG

chief economist Shane Oliver said, adding that with the bushfires and now the coronavirus, AMP does not expect that can be achieved.

Company results and updates also played into market moves yesterday. Temple & Webster shares surged after the online furniture and homewares retailer reported a 50 per cent jump in revenue and 45 per cent rise in active customers. The company ended the session 23.32 per cent higher at \$3.49.

A fall in expected profit saw shares in vehicle accessories company ARB fall 2.38 per cent to \$18.08. It said net profit for the half year ended December 31

would be 7.4 per cent below the \$27.32 million result from the previous first half. The lower bottom line was attributed to its foreign exchange exposure in Thailand, where it has manufacturing and distribution operations.

Tesla shares surged 20 per cent during Monday's trade in the US. When the electric car maker does well, investors have pushed Australia's lithium producers higher, which saw local companies in the sector among the best performers in the ASX 200 yesterday.

Pilbara Minerals closed up 8.77 per cent at \$116, while Galaxy Resources added 5.03 per cent to close at \$1.05.