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Fickle February, March madness

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Equities

THE Australian share market kissed a volatile February goodbye this week, but welcomed March with much the same irregular patterns.

Investors again failed to find the momentum to push the market to the key 5000 level. And with the reporting season winding down, and outlook statements scarce, breaking the barrier could be weeks off.

The 2.2 per cent rise in oil prices on overseas markets on Thursday night sparked movement on the bourse yesterday morning but it failed to materialise into a gain by the closing bell.

The S&P/ASX 200 index closed down 5.3 points at 4898.5, a gain of 5.1 points for the week.

After consecutive records in terms of equities traded early in the week, the latter half saw a return to more normal levels.

Market experts said the horrible trade deficit figures released on Wednesday were the catalyst for a bout of profit-taking.

The deficit shocked economists, doubling to $2.69 billion in January, after many had tipped an improvement in Australia's trading position as the start of an export-led recovery.

Wise-Owl analyst Simon Guzowski said a big drop in resource exports was to blame for the poor result.

"The share market is still anticipating that the recent huge investments in mining infrastructure will flow through to higher exports," he said.

"You really have to wonder if resources are going to come to the rescue though.

"The sector is facing such acute labour and equipment shortages and it will take time before the sector can expand output significantly from its already high levels."

The week also produced signs that the retail market was improving. Australian Bureau of Statistics retail sales figures for January were up 0.8 per cent and there were upbeat comments from Woolworths and others exposed to consumer spending.

Woolworths was a favourite. Its share price climbed $1.07 over the five trading days, or a healthy 6 per cent, pushing it to a 52-week high of $18.87. Woolworths' market capitalisation is $21.8 billion compared to Coles Myer's $12.4 billion.

"The results and comments from several companies exposed to consumer spending such as Woolworths, Pacific Brands and Cabcharge indicate that consumer spending is certainly not collapsing and may in fact be starting to improve," AMP Capital Investors head of investment strategy Shane Oliver said.

"The strong business environment and infrastructure activity is helping stocks like Leighton, Downer EDI and Coates Hire. Overall this suggests the domestic economy is in reasonable shape.

"Cost pressures have clearly intensified but aggregate margins still seem to be holding up and the return of capital to shareholders remains a major feature providing confidence that management is focused on generating share holder value."

Leighton closed up 10c to $18.00 yesterday and **Coates Hire** was 4c higher to $5.85.

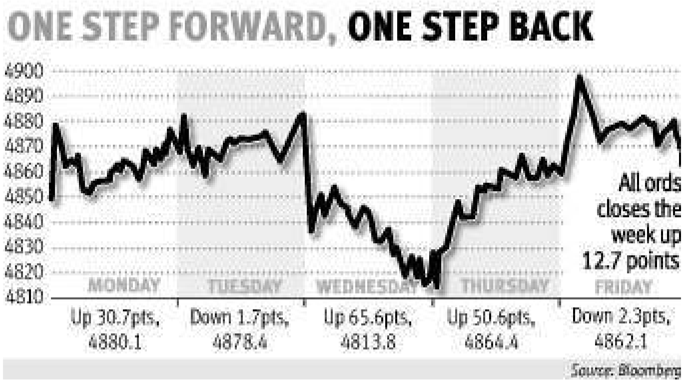
Of the miners, **BHP Billiton** was down 11c to $24.34, a loss of about 1 per cent for the week.

Standard & Poor's also announced its quarterly rebalance to S&P/ASX indices yesterday.

Key changes include Ten Network dropping from the top 100 index, replaced by Goodman Fielder, and the fall of Pacifica, Ventracor, Peptech, Austereo, Thakral Holdings Group and MYOB from the top 200.

That will cost those companies analyst coverage from major broking houses and could mean access to capital becomes harder.

Ventracor closed 2.5c weaker at $1.025, down nearly 7 per cent for the five trading days.


ONE STEP FORWARD, ONE STEP BACK
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MONDAY
TUESDAY
WEDNESDAY
THURSDAY
FRIDAY
All ords closes the week up 12.7 points
Up 30.7pts, 4880.1
Down 1.7pts, 4878.4
Up 65.6pts, 4813.8
Up 50.6pts, 4864.4
Down 2.3pts, 4862.1
Source: Bloomberg