Cautious optimism in equities

INVESTORS flooded into the sharemarket this week, pushing it above the 5100 mark as the lure of better returns from equities really took hold.

But the market quickly retraced some of its gains after falls on Wall St, demonstrating that there is still an overhang of volatility. It was no real surprise. After solid gains since mid last year, there has been talk for some time that the rally has run too hard, too fast, and a market correction was imminent.

But most believe the momentum is still there to keep the market pushing higher in the medium term, even if at a slower pace than seen since the start of the year. Investors are more confident, and the world is generally looking a much better place than it has for the past five years. All of this adds up to a more positive environment that is enticing investors back into equities.

In the first six weeks alone, the market raced ahead, rising by around 8 per cent. If you were one of the few who managed to get in at the beginning of the rally in mid-2012, you could have seen a return of about 25 per cent.

But there have been years in which the market ran much harder and faster than we've seen on this occasion. In the first six weeks of 1980, the market rose 28 per cent and finished the year 49 per cent higher. In 1983, it gained a staggering 66.8 per cent, while in 1993, the market rose an impressive 40.5 per cent.

Keeping in mind that the All

Eureka report

Cliona O' Dowd

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Ordinaries Index is still sitting about 25 per cent below its 2007 peak, there is certainly room for it to move higher, with investors' appetite for risk continuing to improve. After keeping incredibly large sums of money in bonds and cash for the past five years, we are now starting see a real push back into shares as investors recall that long-forgotten phrase " let the trend be your friend".

Among observers, there is a growing perception that we are currently in the first phase of a new bull market. And while share prices have risen in recent months, they are still relatively cheap compared to pre-GFC prices.

This "great rotation" from bonds to equities is a movement taking place around the globe, and Australia is no different. With interest rates at record lows, and bond returns expected to soften, investors are increasingly moving along the risk curve to try to get a better return. Price-to-earnings ratios are starting to reflect the move into equities, bouncing from 10.6 a year ago, to about 13.4 now, but still below the long-term average of 14. Expectations for further cash rate cuts before the year is out should again see improved inflows into the market.

But caution is still needed. As was evident this week, events from overseas still pose a risk to investor sentiment. Spending cuts in the US are due to kick in on March 1 and the problems in the Eurozone region are not yet over. Even our federal election could have a negative effect if it throws up a few surprises.

While a pullback is always inevitable, as profit-takers move in, barring any global catastrophe that truly damages sentiment, changing investor sentiment suggest a market correction shouldn't last too long. Of course, none of us knows where the market is going to be in six or 12 months, but the absence of bad financial news from overseas recently has helped steer investors back into equities, where they look likely to stay as the hunt for yield intensifies.

Cliona O'Dowd is chief reporter for Eureka Report. eurekareport.com.au

CITY BEAT

with James McCullough

Turning Turtle

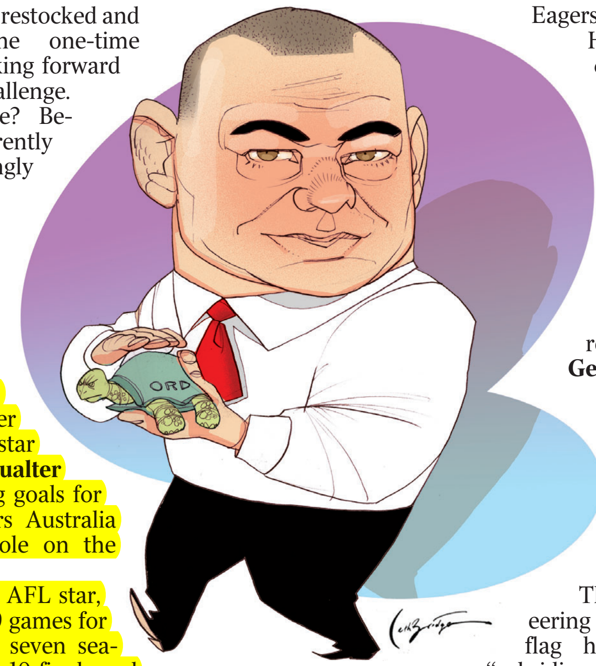
HE will need all of his formidable skills on the rugger field to cope in his new vocation in the cut and thrust of Brisbane broking.

Former Wallaby **Tom "Turtle" Lawton** has recently jumped camps, leaving Macquarie Bank to pop up as the new state chief of stockbroker Ord Minnett.

Now Ords has undergone quite a transformation in recent months, what with that little court stoush with Wilson HTM and all.

Anyway, its Brisbane bunker is now restocked and we hear the one-time hooker is looking forward to the new challenge.

Why Turtle? Because he apparently has an amazingly large back.



Goal star

SPEAKING of footy stars moving on to new vocations, former St Kilda star **Andrew McQualter** will be kicking goals for Resort Brokers Australia in his new role on the Gold Coast.

The former AFL star, who played 89 games for St Kilda over seven seasons including 10 finals and three grand finals, will be based at Miami on the Gold Coast to sell resort and motel management rights from Burleigh to Coolangatta and inland to Robina.

"Resort Brokers managing director **Ian Crooks** is a rugby fanatic so I can appreciate how he must have struggled with bringing an AFL player into his sales team," said McQualter, who will still find time to take the odd mark, playing as a semi-professional for the Southport Sharks in 2013.

Traffic light

AN assortment of high-powered property industry and town planning types assembled at the Polo Club early yesterday morning for the TTM group's traditional "Big Breakfast".

The guests of the Brisbane-based traffic engineering specialists were this year entertained by Wallaby great **John Eales**, who served up a skilful combination of locker room yarns and business insights.

Eales was both diplomatic and gracious when questioned about the hairstyles of some modern day players. "I'm more disappointed about the disappearance of headtape on the tight five, which in my day was almost mandatory," he said.

It's traditional at such events for the host to brag about the big projects the company has been involved in over the past year but TTM principal director **Brian Camilleri** instead took the opportunity to distance the company from the disappointing consumer patronage of the Airport link tunnel. "I'm proud to say we had absolutely nothing to do with the traffic projections," Camilleri said.

Spied were McCullough Robertson's **Stuart McNaughton**, Queensland manager of Leighton **Brian McGuckin**, Brisbane Markets CEO **Andrew Young**, and FKP's **Tim Clarke**.

Musical chairs

A FEW movements around Brisbane's corporate bunkers this week resulted in broker **Tim Crommelin** adding another string to his corporate bow.

Crommelin, the executive chairman of RBS Morgans, has become a director of Zimi Meka's Ausenco, adding to his board positions on Senex Energy and AP Eagers.

His appointment comes as one-time premier **Wayne Goss** requested leave of absence for health reasons from his role as chairman, being replaced by current director **George Lloyd**.

Court costs

WHILE on Ausenco, how's this for a legal error?

The local engineering mob's accounts flag how one of its "subsidiary companies was incorrectly named as a co-defendant to a court action in Ontario, Canada".

They reckon the lawsuit is about services "provided by a company which is not, and has not at any time been, related to Ausenco".

Luckily, in December, the Canadian judge ruled they couldn't even hear the matter because of jurisdictional issues. Unfortunately for Ausenco, it's been appealed.

Of course, sometimes there is a sticky web with international law, like Ausenco saying how a separate dispute over a copper project in Zambia saw them up for almost $53,000 in damages.

Stevens comfortable with dollar

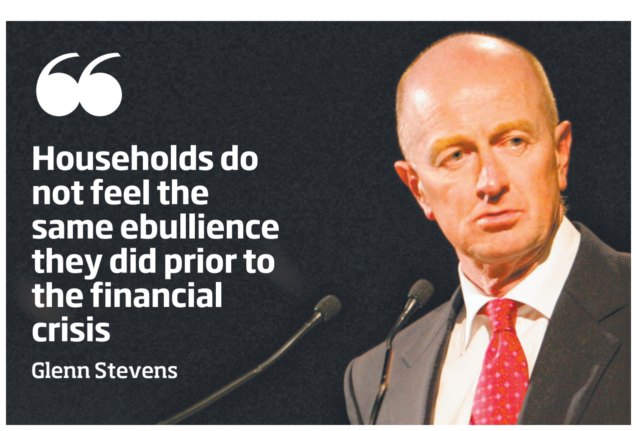
From P61

However, he admitted it was "too high" considering rates were so low, but not so overvalued that it would justify major intervention.

Mr Stevens added that he was comfortable with the market settings for the dollar and "the float has served us well and will continue to do so overall".

The Australian dollar rose almost half a cent following Mr Stevens' statement to the committee, and was trading at US103.20¢ late yesterday.

He also said the rise in the level of household savings was a good thing and more normal than the pre-GFC period when household debts outstripped savings levels.



"Households do not feel the same ebullience they did prior to the financial crisis

Glenn Stevens

"Households do not feel the same ebullience they did for some years prior to the financial crisis in major countries. But that degree of confidence, with its associated patterns of saving and increasing leverage, was unusual, and is not likely to recur," he said.

The RBA governor also admitted that while the eurozone has avoided catastrophe it still faces immense challenges that could derail the global outlook.

But Mr Stevens was upbeat the US economy was on the road to recovery and was as likely to surprise on the upside as it was to shock on the downside over the coming 12 months.

Centro shakes off woes in rebirth as Federation

THE shopping mall group formerly known as Centro has returned to profitability and secured a higher debt rating.

Federation Centres changed its name from Centro Retail Australia in January, following a complete restructure in December 2011. The change was the culmination of a difficult period for the group, which collapsed after the global financial crisis.

After paying out an expensive class action, the company yesterday announced a net profit of $115.9 million for the six months to December 31.

The result compares with its $100.1 million loss in the previous corresponding period in 2011.

Shares in Federation Centres closed 1.27 per cent, or 3¢, higher at $2.39, after it announced a debt reduction strategy and the securing of an A-minus credit rating from Standard & Poor's.

Federation chief executive Steven Sewell told analysts the group would sell stakes at five shopping malls in Sydney, Melbourne and Mandurah in Western Australia to help reduce debt.