

Proactive Australia

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S&P/ASX 200 rises over 5% in last five weeks despite global uncertainties

S&P/ASX 200 (INDEXASX:XJO) has risen over 5% in the last five weeks with the charge led by the financial sector last week and the energy and utilities sectors this week.

Following is an extract from this week's market wrap from Dale Gillham, chief analyst of financial services company Wealth Within:

The China trade war, Saudi oil crisis and low interest rates have all heightened global uncertainty. If you also include the uncertainty surrounding the impending US election in 2020, you would think this is a recipe for world markets to perform poorly. Yet the All Ordinaries Index as well as other world markets have continued to show resilience.

While the momentum on the All Ordinaries Index has slowed, it has risen over 5 per cent in the last five weeks with the charge led by the Financials sector last week and the Energy and Utilities sectors this week.

Stocks in the Financial, Material and Healthcare sectors continue to shine, as they have been rising steadily over the past couple of months. I believe these sectors, in particular, will present great opportunities to buy good quality stocks in the coming months. That said, while Healthcare has performed reasonably well this year, Financials and Materials have are due to play catch up with the rest of the market.

The Energy sector, on the other hand, has been volatile this week following the drone attacks on the Saudi oil facilities, which knocked out half of the countries production. The flow on effect saw crude oil prices rise sharply reaching over US\$63 a barrel at the beginning of the week before falling back to around US\$58 a barrel. Unfortunately, these attacks have been going on for quite some time, and as a result, tensions in the Middle East are high.

For those who may be concerned about oil prices rising further or even a potential oil crisis, you needn't be, as half of the production that was lost has already been restored. Saudi oil executives are also expecting production to be back to normal and fully restored by the end of the month.

The best sectors this week include Energy up around 3 per cent followed by Utilities up 1.43 per cent, while the worst performing sectors were Consumer Discretionary and Financials, which were both just in the green.

As for the top performing stocks this week, it's no surprise to see that Newcrest, Oil Search and Santos did well. After rising strongly earlier in the week, the stocks eased off later in the week, although all were up over 4 per cent. At the other end of the scale, Ramsey was down over 5 per cent early in the week after a major shareholder, Ramsey Foundation, sold a large shareholding to institutions at a heavy discount to the current share price.

So what do we expect in the Australian stock market?

After rising over 4 per cent in the past three weeks, momentum has slowed, as it has only risen 1 per cent in the last two weeks, which is a sign that the pull back into the low I have been expecting may be about to start soon. My

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action@proactiveinvestors.com.au

expectation is that the All Ordinaries Index will fall below 6,400 points to possibly as low as 6,200 points in the next month.

If this occurs, stay clam because as I have stressed in the past, this is normal market behaviour and nothing to be concerned about. As for the medium to long term, I am still expecting the market to be bullish into 2020 and beyond. Therefore, once the low has occurred, I expect the market to rise with the potential for it make a new all-time high before the end of the year.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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