

Better days ahead for job advertisers

David Ciampa

Analysts have upgraded their forecasts for some Australian media companies with exposure to job advertising revenue due to encouraging trends in the sector.

Deeming that the sharp decline in employment advertising to be out of line with the lower than expected rise in the jobs rate, Royal Bank of Scotland said some media stocks would be benefiting from a rebound in job advertising.

RBS media analyst Fraser McLeish expects job advertising to grow by 8 per cent in the first six months of 2010, up from the broker's previous forecast of a 3 per cent decline.

Print and online media companies such as APN News & Media, Fairfax Media — publisher of *The Australian Financial Review* — West Australian Newspapers and Seek, are best positioned to benefit from the expected improvement in advertising revenue.

RBS said job ads in newspapers and online had fallen by more than 50 per cent from their peak in April 2008 to its lowest in July this year, while unemployment rose by only 1.6 percentage points in that period.

"You've seen a reduction in the rate of decline and the number of job ads has turned up in the last couple of months. The key point is that it looks like the fall in job ads is out of sync with the market fundamentals," Mr McLeish said.

RBS raised its target price for Seek to \$7 while retaining a "buy" rating for the job advertiser which sources about 80 per cent of its revenue online.

Headline acts



The broker raised its target price for Fairfax to \$1.95 and upgraded Fairfax and APN News to a "buy". Ten Network Holdings and Astar United Communications report their results today.

The upgrade to the sector comes as the S&P/ASX 300 Media Index yesterday climbed to its highest in almost 13 months.

The cyclical sector has roughly tracked the broader S&P/ASX 300 Index over the past year.

Media stocks were boosted by a Merrill Lynch report that forecast a further 19 per cent upside potential across the sector over the next 12 months, confident that the advertising market hit the bottom between May and July.

Merrill Lynch has raised its target

prices on Astar, Fairfax, WA News, APN News, Seek and Ten. Media companies suffered over the past 12 months from reduced job advertising and also from users

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RBS analyst Fraser McLeish

shifting their job search from newspapers to the web.

Two weeks ago, the Australia and New Zealand Banking Group job advertisements index showed ads climbed by almost 9 per cent from the low reached in June to touch 136,070 last month.

Company	Change (%)
Seven	-6
APN News	9
Fairfax	17
News Corp	22
Ten Network	33
S&P/ASX 300 Media Index	45
STW Communications	53
WA Newspapers	53
ConsMedia	74
Austar	77
Photon	85
Macquarie Media	140



Analysts pin hopes on big numbers

Equities
Justin Bailey

Falling global equity markets and cautious comments from BHP Billiton about the prospects for economic recovery in the developed world, stymied the Australian sharemarket's northward run yesterday.

Some analysts are confident stock prices will march higher, possibly as soon as today following the release of September-quarter gross domestic product numbers for China.

The S&P/ASX 200 Index shed 7.6 points to 4838.6, while the broader All Ordinaries lost 6.6 points to 4846.2.

Third-quarter GDP data for China are slated for release today and economic growth is expected to have significantly improved from 7.9 per cent in the second quarter.

Goldman Sachs JBWere sales trader Richard Coppleson believes the number could be as high as 9.5 per cent and in a note to clients said such a number could trigger a rally in stocks today.

Despite BHP Billiton's tepid outlook the company did report that first-quarter iron ore production had risen to a record, driven by a rebound in global steel demand.

Output of the ore was 30.1 million tonnes in the three months to September 30, compared with 29.8 million tonnes a year earlier.

H3 Global Investors portfolio manager Mathew Kaleel said it was important to watch "supply, as well as demand". Mr Kaleel said supply constraints were going to have a significant impact on the prices of

commodities going forward, particularly copper and oil.

The miner was more upbeat on China, where imports of raw materials surged last quarter despite concerns that restocking might have ended. BHP warned high inventories signal buying is not matching real demand.

BHP Billiton ended the day down 8c to \$39.83, rival Rio Tinto was off 20c to \$66.60.

In the mid-tier iron ore space, Gindalbie Metals slid 1c to 91.5c, Murchison Metals was flat at \$1.60, and Mount Gibson gained 7.5c to \$1.31.

Regional markets were down following a 50.71 point fall in the Dow Jones on Tuesday night. The blue-chip index fell after a Commerce Department report signalled the housing market may slow once tax incentives expire.

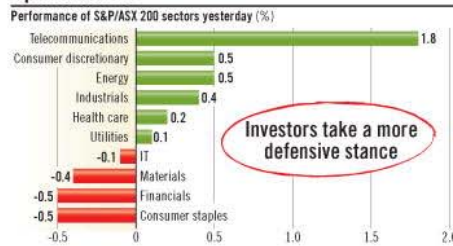
Japan's Nikkei was down 3.45 points to 10333.39, Hong Kong's Hang Seng fell 66.85 points to 22,318.11 and China's Shanghai Composite was down 13.86 points at 3070.59.

China also releases retail sales and industrial production today.

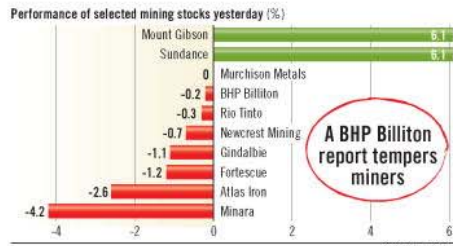
The leading sectors in the major S&P/ASX 200 Index yesterday were telecommunications and consumer discretionary, while consumer staples lagged.

Energy stocks were higher despite the price of sweet Texas crude falling from \$US79.61c to \$US79.09c a barrel. Woodside Petroleum gained, 25c to \$52.94. Oil Search, added 4c to \$6.30 after the company raised \$895 million on Tuesday through a share issue to fund its share of the Papua New Guinea gas project.

Up and downs



Investors take a more defensive stance



A BHP Billiton report tempers miners

The major bank stocks were mixed. Commonwealth Bank fell 47c to \$54.43, Australia and New Zealand Banking Group was up five cents to \$23.84, NAB was down 10c to \$31.20 and Westpac dropped 11c to \$26.37.

Virgin Blue added 4.5c to 55.5c. Royal Bank of Scotland upgraded the airline and recommended clients buy the stock. Competitor Qantas, which held its annual general meeting in Perth, was flat at \$2.99.

Qantas declined to provide a profit outlook for the current financial year, citing the volatile Australian dollar and oil price. But it did say there has been no further

deterioration in its business after profits slumped in 2008-09.

Foster's Group has warned of continued difficulty in its wine business as Australia suffers from an oversupply and overseas consumers choose to drink cheaper wines. The stock closed unchanged at \$5.56.

Transfield Services' shares were up 30c to \$4.73 after announcing its chief executive and president of its North American operations, Joseph Sadatmehr, will leave his position to return to Australia.

Woolworths was down 48c to \$29.80 yesterday after the company reported first-quarter sales growth of 4.2 per cent on Monday.

Inflation the underlying risk factor

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further 1.7 per cent in October, to be only just under previous record high levels over the past two decades. And as Westpac chief economist Bill Evans pointed out, households are upbeat about the outlook for house prices, with 74 per cent expecting prices to rise further.

That's enough to suggest the bank is no longer toying with the idea of not raising interest rates again in November — another rise is on the cards. But could it go up by 0.5 of a percentage point?

Such a move is not as silly as it seems at first glance. Indeed, it could be argued that, having dodged the bullet of a technical recession, Australians are becoming irrationally exuberant. Small, incremental, predictable interest rate moves may not be enough to burst the sense of excess euphoria building around the country.

Against this background, the RBA might find it hard not to raise rates by 0.5 of a percentage point should the consumer price index report next week suggest underlying inflation is no longer moderating. That would be the case should the average quarterly gain in the bank's two preferred underlying inflation measures be more than 0.8 per cent.

At this stage, however, few economists reckon underlying inflation will remain that high — but there's always a risk.

David Bassanese is a market commentator for the Financial Review Group and managing director of PennyWise Investment.