Switzer Super Report

Issue 322, 15 September 2014

Canary in a coalmine

There are a few events happening this week that we all need to be aware of – there's the Scottish independence vote and, of course, the Fed meets in the US.

I'm not sure it's going to be business as usual, and while I'd love the Aussie dollar to drop, a couple of things are happening that might prevent that. But even if there is a market dip, you'll know I'll be looking for bargains.

Also in the *Switzer Super Report* today, we have fund manager extraordinaire Geoff Wilson pointing out his favourite micro-caps – he likes Ardent Leisure and Veda Group – and James Dunn looks at how you can invest in the Big Data theme.

Russell Muldoon at Montgomery Investment Management looks at another small-cap saviour in Slater & Gordon, and in *Buy, Sell, Hold – what the brokers say,* Newcrest gets an upgrade. There is some levelling out of auction clearance data and did you know that iSelect has been added to our *Takeover Talk* list? Read all about it today.

Sincerely,

Peter Switzer

Inside this Issue

Good things come in small packages

by Geoff Wilson

06

02 **Correction week – this time it IS different**
by Peter Switzer

04 **How to buy big data**
by James Dunn

06 **Good things come in small packages**
by Geoff Wilson

08 **Buy, Sell, Hold – what the brokers say**
by Rudi Filapek-Vandyck

10 **Aggressive UK strategy drives Slater & Gordon**
by Russell Muldoon

12 **Shortlisted – dollar daze**
by Penny Pryor

13 **Steady as she goes for property**
by Staff Reporter

switzersuperreport.com.au

Switzer Super Report is published by Switzer Financial Group Pty Ltd AFSL No. 286 531
36-40 Queen Street, Woollahra, 2025
T: 1300 SWITZER (1300 794 8937) F: (02) 9327 4366

Important information: This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. For this reason, any individual should, before acting, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice.

Correction week – this time it IS different

by Peter Switzer

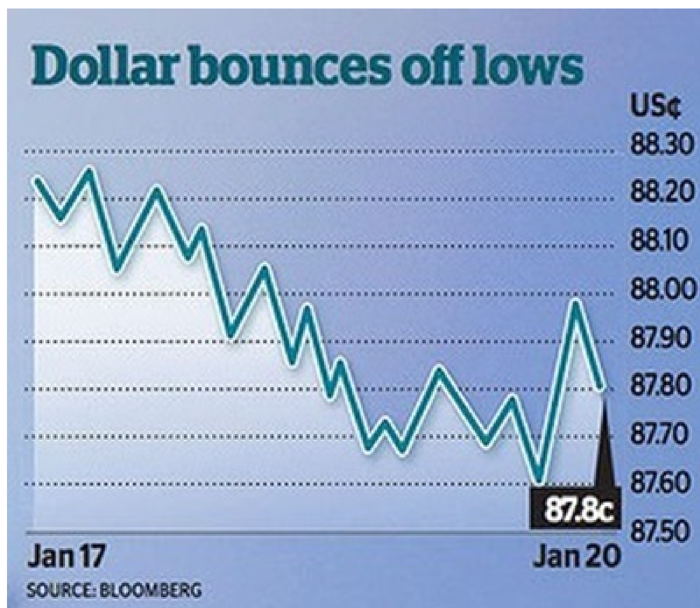
Fund managers are still holding a lot of cash because they still believe the correction has to come and this week certainly offers plenty of opportunities for stock markets to test the resolve of investors.

I always think our dollar can be a canary in the coalmine and there certainly has been some squawking action there.

The Oz dollar was 93.7 US cents at the start of last week and it starts this week at 90.7 US cents — that's a 3-cent slide in a week! And you might have forgotten that our dollar started the year in the 87-cents region. Then, it was China slowdown related.

Also the Yanks had a snow-driven freeze up on its growth that delayed interest rate rise expectations and our dollar went up as the greenback sunk.

My colleagues at the *SMH* showed it nicely recently and the below serves as a good reminder of how our dollar can move around big time.



The week in slow motion

This week there is the Scottish independence vote, the Fed will do its show and tell on Wednesday on the end of QE3 and it could also talk about its interest rate rise plans.

The Scottish play could slug the pound, and rattle some stocks, such as NAB, which has banking interests in the UK. There is also a fear that if the Scots breakaway, it will encourage other independence movements.

And we have to throw the weak Chinese data over the weekend into the mix. This puts more pressure on our dollar but, more importantly, adds to uncertainty. Markets hate that kind of thing.

In case you missed it, this is how CommSec's Craig James saw it on Saturday afternoon:

"Industrial production rose at a 6.9% annual rate in August, the slowest growth in 5½ years (December 2008) and below forecasts. Retail sales rose at an 11.9% annual rate in August, mildly below forecasts (+12.1%). Real annual growth was estimated at 10.6% – the fastest growth in eight months. And urban investment in the first eight months of 2014 was up 16.5% on a year ago (forecast +16.9%)."

The China story

China is transitioning from a country driven by exports to one that has more reliance on hometown consumption, which is more like a developed economy. This is affecting industrial production, but it might not hurt GDP as much as some expect, though it could reduce the demand for iron ore and coal.

It's no surprise that experts are talking about a China

slowdown but most believe it will still grow at 7.5% for this year and slow to 7% next year. None of this is terribly dramatic, but stock markets around Asia on Monday did not like the news, with our S&P/ASX 200 off 38 points to a one-month low of 5492.9 by lunchtime.

All that said, the Chinese Government knows growth is a critical KPI so you can expect some stimulation, which will stop the economy falling off a cliff. The critical point for us is that a weaker China brings the dollar down. If it coincides with the Fed saying and doing something that pushed the greenback up, then all those dollar-sensitive stocks I've been talking about should continue to do well.

However, the Scottish thing and its market implications are a real head scratcher. I think pound weakness will push our currency up and if Janet Yellen, with the Fed, don't give any hints about an early rise in interest rates, then our dollar could actually go up on the news. This is my second-worst case scenario for our stock market.

Worst-case scenario

The worst-case scenario would be the Fed spooks the stock market, the Scots scare the foreign exchange market, which then hurts the stock market and this all compounds with some technical charts that point to a sell off.

So by the end of this week, we could see the overdue correction start but will it go all the way to a 10% plus slide, which a correction is defined by?

I suspect not, because the strength of US economic data could make the Fed talk tough enough to scare the market and so dip-buyers would come in after a 5-7% slide and I'd be joining them if they did.

As you can see, this will be an intriguing week. If recent history with geopolitical scares can be relied on, we might not see any correction moves at all. However, there is one big difference. This week's events are economic and go directly to investors and institutions' hip pockets and bottom lines.

And these sorts of things can move markets, big time.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

How to buy big data

by James Dunn

Big data refers to the massive stores of data generated by companies from their operations, and the difficulty of organising it and "mining" it for insights. Big data is well beyond the capabilities of standard database software to handle, so specialised services to capture, sift and analyse it, using smart algorithms and high-speed technology, are coming to the market. These services handle both the amount of data (volume) and the speed with which it arrives (velocity), which most businesses generating the data cannot.

The movement

Any company that collects data from its customers will benefit from big data applications – that means any company with a database, from utilities to banks to retailers to airlines.

For example, last year, Woolworths spent $20 million buying a 50% non-controlling stake in data analytics company Quantium, to get access to its data, analytical, media and software services to boost its existing customer analytics capabilities. The strategy is that Woollies will drive growth at the retailer by using customer insights to tailor its product range and come up with more effective promotions and marketing programs; and automate and fine-tune its inventory levels based on current demand. The retail giant is particularly interested in using big data to improve its online sales and at some stage may use it to enter other markets.

In turn, Quantium taps Woolworths' customer data (stripped of identification) gleaned from its Everyday Rewards customer loyalty cards, credit and debit cards, to improve services to a range of clients including eBay, IAG, Telstra, Suncorp and Qantas.

Qantas uses big data to tailor its in-flight services and again there are opportunities in other markets here too. Banks are using big data to enhance customer relationships and analyse customer risk, through quicker and more thorough assessment of cash flow.

Analysts says CBA is furthest down the big data track, as it seeks to glean what it can from its 5 million online customers and 2.6 million people who use its apps. The bank's new Albert point-of-sale payments device is designed to create a new platform for merchant-customer interaction: CBA will collect the data.

CBA sells a big data analytics tool, known as Daily IQ, to its business customers. Launched in March as an iPad app, it provides cashflow reporting, and business insights from similar industries in comparable locations, to give businesses an idea of their true performance.

The investment opportunities

To invest in companies that directly benefit from big data, we have to look further afield.

Data centre operator **NEXT DC Limited (NXT)** is one candidate. NEXT DC operates five purpose-built data centres, in Melbourne, Brisbane, Sydney, Perth and Canberra, to host critical IT infrastructure – such as servers – for its customers, and offer Data-Centre-as-a-Service (DCaaS) services. With the exponential growth in data creation and usage and the associated storage needs that implies, NEXT DC should be able to make money – but it does not at the moment. The company made an underlying net loss after tax of $16 million in FY14.

However, NEXT DC did something very interesting with three of its data centres: it rolled them into a special-purpose real estate investment trust (REIT), which owns the Melbourne, Sydney and Perth data centres, and leases them back to NEXT DC. The

trust, **APDC Group (AJD)**, does make a profit: it made a profit of $21.76 million in FY14 (including unrealised asset revaluations of $12 million), and paid 9 cents a share in distributions. At the share price of $1.115, AJD offers a historical yield of 8.1%, as a landlord for data storage centres.

Network operator **Vocus Communications (VOC)** and managed hosting and telecommunications company **Macquarie Telecom (MAQ)** also operate data centres, but not as their core business, unlike NEXT DC. Macquarie Telecom made a loss in FY14 but Vocus earned $13.6 million, up 53%.

Other stocks that could benefit from big data are the IT consultants: **SMS Management & Technology (SMX), UXC (UXC)**, the soon-to-disappear **Oakton (OKN)** – it is being taken over by Dimension Data – and **Data#3 (DTL).** SMS Management & Technology, for example, says it "devises strategies that leverage the dimensions of Big Data to maximise business value from this fast-moving asset." UXC says it is also working to leverage the potential of the data generated by interconnected Internet-enabled machines (where Big Data meets the "Internet of Things.) "

Companies like this are at the forefront of applying Big Data: the problem for the investor is that Big Data work is not broken out separately, and it is hard to see the proportion of the work coming from it. But the more companies that look to use Big Data, the more work there will be for the consultants who understand it best.

Of the consultants, UXC is trading at current price on a fully franked prospective FY15 yield of 5.6%, SMS Management & Technology is on 3.7% and Data#3 on 6%.

Offshore opportunities

For a pure data play, you might be better off looking offshore. If we were US investors, investing in "Big Data" – something that fund manager Fidelity Investments refers to it as an "industrial revolution" – would be a breeze.

But Australian investors can still buy US companies like General Electric, IBM, Oracle, Microsoft, SAP and Symantec, all of which have invested heavily in global data centres designed to interpret big data. There are also the chip stocks like Intel, Micron, Freescale, Xilinx and SanDisk, or networking giant Cisco Systems, all of which are plays on big data.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Good things come in small packages

by Geoff Wilson

With annual company reporting season now behind us for another year, it's important to reflect on some of the headline themes that dominated the period, as this is likely to influence performance throughout the remainder of FY2015.

One notable trend was small caps outperforming their large cap counterparts for the month of August, after two years of underperformance. During the reporting period, the four major banks and mining companies had a softer month relative to the overall market.

The darlings

Standout small caps include **Slater & Gordon Limited** (SGH, see Russell Muldoon's article today) and **Ardent Leisure** (AAD), both of which attributed a focus on acquisitions activity for their strong performance. The result announced by Slater & Gordon exceeded the expectations of the market, beating the forecast by 3%. It was a positive end to the year for the consumer law firm, supported by the company's UK operation, which has made several acquisitions over the past two years, including law firms Russell Jones and Walker, Panone and Fentons. As part of its results announcement, Slater & Gordon also advised it has two more acquisitions planned for the Australian arm, which is expected to drive growth throughout the remainder of FY2015.

Ardent Leisure announced a strong result, posting a 38% increase in full year profit. Along with theme parks Dreamworld and WhiteWater World, the group also owns AMF Bowling, GoodlifeHealth Clubs and Main Event, the latter of which heavily contributed to the result. The company undertook a $50 million capital raising in early August, which was predominantly aimed at funding the acquisition of select FitnessFirst WA gyms.

Print services business **CSG Limited** (CSV) released its full year results to the market mid August, delivering a performance above guidance. The company has experienced rapid growth in its financing book and with a quality management team in place, guidance of 10% – 15% growth for the current financial year is more than achievable.

Suppliers of Electronic Parts Catalogue Solutions to automotive manufacturers, **Infomedia** (IFM), also provided guidance for FY2015, which was above market expectations. The company has recently increased its range of product offerings, adding a number of new modules that can be sold into the automotive industry. As part of its results announcement, Infomedia Ltd also advised it's participating in new pilot programs in FY2015, which will lead to a further increase in sales.

Corporate Travel Management's (CTD) full year result came in at the top end of their upgraded guidance issued in November. The company announced an underlying EBITDA of $28.9 million, representing 47% growth on FY13. And 37% growth has been forecast for FY2015, which is at the mid point of the company's guidance. As with Slater & Gordon and Ardent Leisure, acquisitions activity is expected to drive this level of growth for the company.

Credit reporting specialists, **Veda Group Limited** (VED), delivered results above those outlined in the prospectus forecast by all measures and provided strong guidance for FY2015 of low double-digit growth. The Comprehensive Credit Reporting regime, adopted by the Federal Government in March 2014, aims to provide financial lenders and consumers with greater transparency in the accessing and treatment of credit records. As a result, Veda Group Limited has been investing to take advantage of these reform measures and early results are promising.

Manager and marketer of the Peppers, Mantra and BreakFree hotel brands, **Mantra Group Limited** (MTR), also announced its results, which were ahead of the prospectus, and reconfirmed guidance issued for FY2015. The company has a strong balance sheet capable of driving growth by acquisition. While parts of the domestic travel market remain flat, the company has been able to snare market share from competitor hotel providers.

These seven companies show that good things can definitely come in small packages.

***Important:** This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Buy, Sell, Hold – what the brokers say

by Rudi Filapek-Vandyck

On the negative side of ratings, of which there are many, we find a whole slew of iron ore exposed stocks, alongside department store owner and perennial market disappointer, Myer. The latter stuck to a long-lasting legacy and disappointed yet again with its financial market update. The event was good for no less than four downgrades in rating.

In the good books

BC Iron (BCI) was upgraded to Neutral from Sell by Citi after the recent fall in the share price. If the Iron Ore Holdings (IOH) deal fell over, the broker would consider this as a positive, as the company does not appear to generate enough cash to fund the Buckland project on Citi's iron ore price forecasts.

Upgrades

Order	Company	Old Rating	New Rating	Broker
1	BC Iron	Sell	Neutral	Citi
2	BHP Billiton	Neutral	Buy	CIMB Securities
3	Newcrest Mining	Neutral	Buy	BA-Merrill Lynch
4	Oceanagold	Sell	Neutral	CIMB Securities
5	Sandfire Resources NL	Sell	Neutral	CIMB Securities

Newcrest (NCM) was upgraded to Buy from Neutral by BA-Merrill Lynch. The broker is upgrading to Buy from Neutral, taking into account the company's potential to weather falls in the gold price. Merrills believes the market can envisage production upside from Cadia but is not willing to give the company credit for potential improvements.

In the not so good books

Arrium (ARI) was downgraded to Underperform from Neutral by Macquarie. The broker notes 2014 iron ore supply from the world's top five producers looks set to be 86mt more than forecast, and the impact of low cost supply growth is occurring sooner and more significantly than the broker previously assumed. The broker has subsequently cut its forecast 2014-19 prices by 5-20%. The broker has cut Arrium's forecast earnings by around 60% in FY15-16 as a result, noting a lot will have to go right if the business is to be turned around.

Downgrades

Order	Company	Old Rating	New Rating	Broker
1	Amcor	Neutral	Sell	Credit Suisse
2	Arrium	Neutral	Sell	Macquarie
3	Australian Pharmaceutical Industries	Neutral	Sell	UBS
4	Australian Pharmaceutical Industries	Buy	Neutral	Credit Suisse
5	BC Iron	Buy	Neutral	Macquarie
6	Fortescue Metals Group	Neutral	Sell	CIMB Securities
7	Goodman Group	Neutral	Sell	JP Morgan
8	Grange Resources	Buy	Sell	Macquarie
9	Iron Ore Holdings	Buy	Neutral	Macquarie
10	Myer Holdings	Buy	Neutral	CIMB Securities
11	Myer Holdings	Neutral	Sell	Citi
12	Myer Holdings	Neutral	Sell	JP Morgan
13	Myer Holdings	Neutral	Sell	UBS
14	Sigma Pharmaceuticals	Neutral	Sell	Credit Suisse
15	Sundance Resources	Buy	Neutral	Macquarie

BC Iron (BCI) was downgraded to Neutral from Outperform by Macquarie. The impact on mid-cap miners as a result of Macquarie's cuts in forecasts for iron ore is 50-100% forecast earnings cuts across the coverage universe. Balance sheets now become critical. See also BCI upgrade.

Goodman Group (GMG) was downgraded to Underweight from Neutral by JP Morgan. Last month, the broker downgraded Goodman to Neutral from Overweight as it was trading close to target, and now the broker has gone a step further and downgraded to Underweight as the share price has reached the target. It is simply a valuation call, given the broker believes GMG will exceed its 6% FY15 earnings growth guidance and comfortably achieve its 6%pa through-the-cycle growth goal.

Iron Ore Holdings (IOH) downgraded to Neutral from Outperform by Macquarie. Another victim of Macquarie's iron ore forecast cuts, which are impacting mid-cap miners the most.

Myer (MYR) was downgraded to Hold from Add by CIMB Securities, to Sell from Neutral by Citi, to Underweight from Neutral by JP Morgan and to Sell from Neutral by UBS. FY14 earnings were below CIMB's expectations. A number of years of unsustainable cost cutting and deferrals has led the company to finally acknowledge the level of underinvestment. Now this is factored in, the biggest risks is the profit margin in FY15 and CIMB suspects the company will still find it hard to pass on higher costs. The sharp fall in second half FY14 gross margins suggests to Citi a poor run rate leading into FY15. Myer's result missed JP Morgan's foreacst, with lower gross margins the major culprit. Myer is doing all the right things, UBS suggests, yet it is simply struggling and having to spend more and more money just to stand still. The broker has cut forecast earnings by 22% and 15% in FY15-16 and downgraded to Sell.

Sundance Resources (SDL) was downgraded to Neutral from Outperform by Macquarie as the broker downgraded forecasts on the back of the plummeting iron ore price.

Earnings Forecast

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	Previous EF	New EF	Change	Recs
1	PNA	PanAust	11.00	11.53	4.82%	7
2	AIZ	Air New Zealand	20.94	21.87	4.43%	4
3	AQG	Alacer Gold Corp	21.63	22.51	4.08%	6
4	TEL	Telecom Corporation of New Zealand	15.58	15.90	2.09%	3
5	TME	Trade Me Group	18.53	18.88	1.88%	6
6	DXS	Dexus Property Group	9.10	9.26	1.80%	7
7	FXL	FlexiGroup	29.65	30.05	1.35%	5
8	CHC	Charter Hall Group	26.86	27.17	1.15%	7
9	BXB	Brambles	46.76	47.27	1.10%	7
10	WPL	Woodside Petroleum	331.64	335.08	1.04%	6

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	Previous EF	New EF	Change	Recs
1	MGX	Mount Gibson Iron Limited	1.97	0.15	-92.21%	7
2	AWC	Alumina	0.81	0.16	-80.07%	7
3	FMG	Fortescue Metals	80.22	62.69	-21.86%	8
4	BCI	BC Iron	27.73	23.25	-16.14%	3
5	ARI	Arrium	10.78	9.64	-10.55%	7
6	SXY	Senex Energy	5.34	5.00	-6.37%	5
7	IPL	Incitec Pivot	19.85	18.97	-4.43%	8
8	MIN	Mineral Resources	85.50	81.75	-4.39%	3
9	BHP	BHP Billiton	274.69	264.17	-3.83%	8
10	NUF	Nufarm	27.99	26.97	-3.65%	8

FNArena tabulates the views of eight major Australian and international stock brokers: BA-Merrill Lynch, CIMB, Citi, Credit Suisse, Deutsche Bank, JP Morgan, Macquarie and UBS.

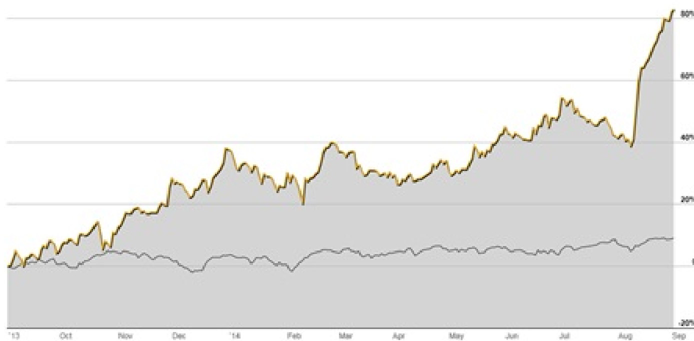
Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Aggressive UK strategy drives Slater & Gordon

by Russell Muldoon

Over the past 12 months, shares in **Slater & Gordon Limited (SGH)** have risen almost as aggressively as its acquisition strategy. Had you owned SGH shares around the start of September last year, you would have experienced an 82% increase in share price from $3.52 to $6.42, giving the company a market capitalisation approaching $1.3 billion, and collected 6.85c in fully-franked dividends along the way. It's now trading closer to $6.15 but with an additional 5c dividend to be paid shortly, this has lead to handsome outperformance over the ASX All Ordinaries Index over the same period.

Slater & Gordon Limited (SGH)



Firm favourite

Slater & Gordon was one of the standouts this reporting season, reporting strong growth in both revenue and earnings per share – up 40.4%, and 26.8% respectively. Not bad for a business that's effectively a commoditiser of legal services.

Having already established a strong brand and cash-generative business in Australia via industry consolidation, the company now has identified an opportunity to undertake a similar acquisition strategy in the highly fragmented UK law industry. When one considers the fact that the UK is almost five times bigger than Australia, you can quickly see the attractiveness of this opportunity.

As well as continued smaller bolt-on acquisitions at home (like the just-announced Nowicki Carbone and Schultz Toomey O'Brien purchases) likely to continue, when analysing the future prospects of the business, our attention quickly turns to what it is doing in the UK. Indeed, we count a number of acquisitions that Slaters has already made – including Pannone, Goodmans and Fentons, Claims Direct, Taylor Vinters and Russell Jones & Walker – as acquisitions, which are set to continue.

In their 2014 full-year results, Slater & Gordon management has confirmed that the integration of the UK acquisitions is going to plan, that it has already consolidated circa 5% share of the UK market, with absolutely no intention of slowing down. Management is guiding for its market share to increase to 10-15% in the coming years, noting that it has a seemingly rushed desire to put daylight between itself and its closest competitor in the next few years, something that clearly can't be achieved organically.

The UK strategy

Slater & Gordon therefore appears to be on an aggressive growth strategy, and its goal is relatively simple: to lead the consolidation of the UK personal legal services market; a market which has undergone radical changes in recent times. These UK operations already have forecast annualised revenue of $230 million from the UK: almost at the scale of Australia's $270 million – which took years to build. In total, Slater & Gordon generated $423 million of group revenue in FY14, and is forecasting $500 million in FY15.

Just as it has in Australia, Slater & Gordon's ambition is also to become a household name in UK consumer law, and position itself for a tsunami of

disruptive innovation in the global law industry.

The UK has more than 10,000 law firms, with almost two-thirds of them owned by one or two partners with poor scale opportunities and hence profitability. The obvious solution has been industry consolidation as firms merge to create scale, or larger firms buy smaller rivals – a pronounced trend in the global legal industry in recent years. But most UK law firms had low access to capital, little experience in acquiring other firms, a weak brand in the consumer market, and no clear, sustainable competitive advantage over rivals.

This has created a huge opportunity for Slater & Gordon, which, with its access to capital since its Initial Public Offering (IPO) in 2007 and its long experience in acquiring and integrating firms, now has 25% of the Australian personal-injury market.

The UK legal services market is also undergoing rapid consolidation, as difficult trading conditions post-global financial crisis (GFC) and regulatory reform have shaken what some commentators describe as a “cottage industry”. Clients want lower fees, better service and greater value; the UK government wants greater competition. This plays into Slater & Gordon’s strategy perfectly.

Some caution

But while it’s an exciting story and the business at the moment has bright prospects, it’s not without its risks. With a bigger business comes lots of additional challenges in sustaining that growth and when that growth is coming largely via acquisition, add in integration risk (which is not a word we throw around lightly) and the risk of disappointment will grow larger and larger at some point down the track.

We have a simple saying at Montgomery, and that’s roll-ups work until they don’t. The stock market is littered with past acquisition-driven business models that worked for a time, but don’t any longer. QBE is a poster child of what challenges management teams face when the acquisition momentum slows and they are left trying to work out how to salvage what they have.

While this doesn’t appear to be on the cards for Slater & Gordon for some time, they are still a long way from an opportunity we estimate to be as high as $800 million revenue in under five years’ time, it’s certainly something to look out for. For while the music is playing loud right now, at some point it almost always stops.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Shortlisted – dollar daze

by Penny Pryor

The market finally appears to be taking the pick up in the US economy, and therefore the US dollar, seriously. But with a lot of geopolitical risks on the table, who knows what will happen next.

The dollar

We anticipate our call on Aussie dollar sensitive stocks will start to show fruit soon and any dip could provide opportunities to buy good stocks cheap.

Peter Switzer has pointed out that market laggard QBE would indeed do well if the dollar fell and last week it was up by 4%. It's not necessarily on our shortlist though. *SSR* expert Paul Rickard gave up on it a few months ago and Peter points out that it's still for the thrill seekers. But stay tuned, he is also trying to get the CEO Colin Fagen on Switzer TV to find out what's really going on.

The economy

Westpac chief economist Bill Evans made an appearance on Switzer TV last week, after that massive jump in employment numbers of 121,000 jobs. He points out that's the same amount of jobs that we usually see in a year and he expects some revisions next month.

"What worries me is that hours worked didn't increase," he says.

"[But] the lead indicators are suggesting that the labour market is improving a little bit."

On consumer confidence, he also notes a gradual increase but says consumers are still concerned that budget measures haven't been resolved.

"By far the most negative feelings are around the overall state of the economy," he says.

He predicts a drop down to 90 cents for the dollar and dismisses fears that we have a housing bubble, pointing out that incomes have been improving in line with house prices over the last 20 years.

"At this stage, house prices are not really out of line with income," he said.

A sell off?

We're not predicting a market rout, although things might look a bit murky, but if there was a little bit of a correction, Peter has his eyes on Woolworths.

"Goyder is a smart CEO but as Woolworths heads into the $35 region, I'm getting close to going long this long-term good performer that has had difficulties mastering Masters," he said on Saturday.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Steady as she goes for property

by Staff Reporter

Healthy returns were recorded in the national auction market this week, with a **preliminary weighted average clearance rate of 70.8% across the combined capital cities.**

That compared to 74.1% last week, and 72% this time last year.

Weekly clearance rate, combined capital cities

Research house RP Data, says there has been robust growth in national auction volumes this year. Not including this week, there have been around 61,000 auctions held across the capital cities – **nearly 34% more than last year.**

The top performing capital city of Sydney recorded a clearance rate of 78.3% this week, coming in slightly lower than last week's 80.1%.

Capital city auction statistics (preliminary)

City	Clearance rate	Total auctions	RP Data auction results	Cleared auctions	Uncleared auctions
Sydney	78.3%	741	503	394	109
Melbourne	70.5%	1,005	853	601	252
Brisbane	49.4%	133	89	44	45
Adelaide	62.7%	88	59	37	22
Perth	43.8%	31	16	7	9
Tasmania	75.0%	10	4	3	1
Canberra	52.0%	47	25	13	12
Weighted Average	70.8%	2,055	1,549	1,099	450

Melbourne's clearance rate was 70.5% this week, compared to 76.6% last week. Melbourne also had a huge amount of properties go to auction this week – cracking the 1,000 mark – and this increase in auction volumes has naturally translated into more sales.

RP Data says that for every four homes sold in Melbourne at auction last year, there have been five homes sold this year.

Capital city private treaty median prices

	HOUSES		UNITS	
Capital city	Number of Sales	Median price	Number of Sales	Median price
Sydney	2,064	$665,500	1,321	$570,000
Melbourne	1,930	$480,000	817	$420,000
Brisbane	1,105	$447,000	261	$378,000
Adelaide	552	$414,500	104	$322,000
Perth	787	$535,000	176	$465,000
Hobart	100	$325,500	25	$267,000
Darwin	49	$555,000	27	$540,000
Canberra	142	$515,500	52	$392,500
Combined Capitals	6,729	$531,538	2,783	$485,721

Despite the median property prices stated in the table above, there were also many prestige auction sales sitting well above these amounts. According to Dr Andrew Wilson of the Domain Group, there were **28 sales reported above $2 million sold in the Sydney region.**

The most expensive property reported sold at auction in Sydney was a four-bedroom home in Annandale, which sold for just under $3 million. The upper north shore reported the highest clearance rate of all the Sydney suburban regions, followed by the south and the inner west.

Melbourne's auction market was not dominated by the inner east or outer east suburban areas, for a change. Instead, it was the north east that produced the highest clearance rate at the weekend, followed

by the outer east, and then the inner south.

The most expensive property reported sold at auction in Melbourne at the weekend was a four-bedroom home in South Yarra, which went for $2,955,000.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Did you know?

Merger and acquisition activity continued to heat up last week, with speculation that Carsales.com.au would make a bid for iCar. Last week, Tony Featherstone added iSelect to our exclusive Takeover Talk list. If you missed it, read all about it here.