

MONITOR



How is 2011 shaping up?

We were wrong.

We predicted the Australian share market would breach the 5,000 point level by Christmas 2010, and then requested a little leeway for this level to be breached early in 2011. It hasn't. Well, in fact, the All Ordinaries did breach the 5,000 level in February. However, we were referring to the ASX200, so in calling a spade a spade, we were wrong, by 56 points, as the ASX200 hit an intra day peak of 4,944 in mid February.

Calendar year 2010 turned out to be pretty much a dead flat year as far as the index was concerned. But this doesn't mean it was a smooth ride. Within the year we had plenty of volatility with the market starting the year at 4,870, breaching the 5,000 level early on, hitting a year low of 4,182 in July and closing at 4,745 at year end. But this only paints part of the picture as there was even more volatility between these points in time.

Last calendar year the market absorbed the Dubai debt crisis, the announcement of Australia's resources rent tax, European debt crisis and concern over US entering a deflationary environment, just to name a few.

Despite these seemingly (at the time) serious issues, corporate earnings globally continued to improve as now lowly geared companies reduced costs and benefited from a gradual

continuation of improving sentiment. All of which has been fuelled by ultra loose monetary policy in Europe and predominantly the US. This ultra loose monetary policy will create inflation (which is what the US want) and ultimately future challenges for world economies and equity markets alike. But that's a problem for another day, in the future.

Recently, it is unrest in the Middle East that has caused markets to stall from mid February highs (in Australia). A rising oil price on the back of supply issues from Libya has seen oil rise to over \$105 a barrel. Markets are concerned this oil price spike may dampen the global recovery. Our economist, Michael Knox, believes the current oil price can be absorbed with little flow on effect / damage to growth.

Last quarter we wrote:

"We will have the usual volatility again in 2011. At some stage the Bears will win, most likely on talk of a mid cycle slowdown. Which may be true. But this will not derail the medium term growth outlook for Australia. At some stage next year, our market will breach the 5,500 level. That's over 15% higher than where it currently is."

We will again stand by our previous predictions and stick with our target for the ASX200 to breach the 5,500 point level at some stage this year.

Stock Review OneSteel (OST)

OneSteel Ltd (OST) is a fully integrated, global manufacturer and distributor of steel and finished steel products. OST's major manufacturing facilities are located in Whyalla, South Australia, Melbourne, Victoria, Western Sydney and Newcastle, New South Wales and Brisbane, Queensland. Smaller manufacturing and distribution facilities are located throughout regional Australia. OST sources its iron ore internally from wholly owned mines, unlike many other steel producers.

RBS analysts have a forecast of 26 cents Earnings Per Share (EPS) for financial year 2011, rising to 31 cents for 2012. OneSteel is currently trading at \$2.40, putting it on less than 10x earnings for 2011. In the past twelve months OST has paid 12 cents per share in dividends, which equates to a yield of 5% based on the current share price. The RBS analyst forecasts this dividend will also increase as EPS increases.

Over the past couple of weeks since the government announced they will put a price on carbon (tax), OST and other steel makers share prices have been sold off. We believe this represents an opportunity as people sell out based on uncertainty over this issue. Remember what happened when the resources tax was first announced? The miners were heavily sold off only to recover strongly once the dust settled.

GLOSSARY OF TERMS

With most clients now receiving same day electronic contract notes, many of you have become use to reading the “notes” section for a brief description of the reasoning for the buy or sell. This “notes” section is very limited in size, hence we are often required to use abbreviations. By request, below is a list of commonly used abbreviations within our industry that you may see from time to time on contract notes:

AGM	Annual General Meeting
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Tax Office
CPS	Cents Per Share
Dividend Yield	Last twelve months cents per share dividend of a company divided by its current share price, expressed as a %
EBIT	Earnings Before Interest and Tax
EBITA	Earnings Before Interest, Tax and Amortisation
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EPS	Earnings Per Share – in cents. From which dividends are paid.
FF	Fully Franked
FY	Financial Year – of a company. Some companies work off different tax years to the ordinary July to June.
NPAT	Net Profit After Tax

NPBT	Net Profit Before Tax
NTA	Net Tangible Asset (backing). The value per share of net assets of the company
PCP	Prior Corresponding Period
P/E	Price to Earnings ratio. Current share price of a company divided by its latest EPS. Expressed as times (x)
PF	Partly Franked
ROE	Return on Equity - expressed as a percent (%) to reflect the annual return on the total equity of the company
Gross Yield	The total annual income made up of cash received plus any accompanying tax credits (franking credit), expressed as a percentage (%)
ACCC	Australian Competition and Consumer Commission
Cum Dividend	The last day to buy a share to be entitled to the upcoming dividend
Ex Dividend	The first day of trading after the cum dividend date.
FIRB	Foreign Investment Review Board

ASX Trading Hours

The Australian Stock Exchange hours over the upcoming public holiday period are:

- Good Friday - Closed
- Monday 25th - Closed
- Tuesday 26th - Closed
- Wed. 27th - Normal trading

WELCOME

We are very pleased to welcome CHEYNE PEAT to our Team as a Business Assistant. Cheyne has replaced Leonie in the role of day to day administration and general business support.

Cheyne has worked with RBS Morgans since 2008 and we are now very pleased to have him on board exclusively with the Martin Bros Team. Cheyne can be contacted directly on 9947 4137 or via email cheyne.peat@rbsmorgans.com.

