

Lengthy lockdown fears paint ASX red

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EQUITIES

Lucy Battersby

The Australian sharemarket slipped to start the week in red as investors fretted about the implications of lengthy COVID lockdowns in Sydney and Melbourne.

Weak leads from Wall Street and concerns about oil prices saw the benchmark S&P/ASX 200 index dive 1.3 per cent at the open. However, it did regain its footing to close 0.9 per cent lower at 7286 points. It was the first time the index had closed below 7300 in six sessions.

Bell Direct market analyst Jessica Amir noted the weak leads from Wall Street, where traders have been taking profits ahead of company results, deflated investor sentiment locally.

"Traders are being quite cautious at the moment, but the real worry will be if results are worse than expected. Markets will pull back," she said.

"What we are seeing now is that traders are hedging their bets and locking in their profits."

Ms Amir also warned extended lockdowns for Sydney beyond September, then Australia will get its second COVID recession. We have never had construction shut down before, it's a huge blow to the infrastructure sector."

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The big four banks all closed lower on renewed concerns about doubtful debts, while BHP and Rio Tinto both closed more than 2 per cent lower.

The financials sector dropped 0.9 per cent to a two-month low, with senior client advisor at Novus Capital, Gary Glover, noting some recent changes in trading volumes.

"There has been a reasonable amount of volume selling. In the last four weeks most of the financials have come off," he said.

He also noted the market had been caught "in a bit of a sideways channel in the last couple of weeks" with the ASX200 trading between 7200 and 7400 points since early June.

"Our market has got a history of getting caught in these tight bands and then staying there for a few months at a time," he said.

Gold miners came under pressure as the precious metal fell to a two-week low of \$US1,804.66 an ounce. The technology sector closed flat while energy stocks slipped over concerns of oil prices slipping again.

The healthcare sector was the only bright spot outperforming the rest of the market, with CSL gaining 1.8 per cent and Sonic Healthcare and ResMed both hitting new all-time highs. Retailing giant Wesfarmers also hit a new record high, closing 0.8 per cent higher at \$59.61.



Extended lockdowns for Sydney could plunge Australia into recession.
Photo: Renee Nowytarger

HOW THE MARKET MOVED

Monday (%)

Health care	+1.62	
Cons staples	+0.24	
Utilities	+0.12	
IT	+0.08	
Cons disc	-0.38	
Real estate	-0.67	
Financials	-0.88	
Industrials	-0.93	
Comm services	-0.96	
Energy	-2.25	
Materials	-2.44	

Percentage moves in the 11 sectors that make up the S&P/ASX 200 Index. SOURCE: BLOOMBERG