

Travel sector take-off fails to lift wider ASX

By Alex Druce

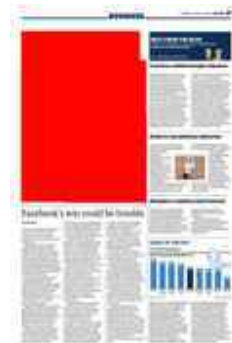
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EQUITIES

Alex Druce

The travel sector soared but failed to lift the wider Australian sharemarket with it yesterday as traders braced themselves for a crucial meeting of the Reserve Bank.

Losses for the major lenders, Wesfarmers and mining giant BHP kept the S&P/ASX 200 index quiet even as the travel sector basked in the glow of a \$22.3 billion takeover bid for Sydney Airport, a move seen by many as a vote of confidence for one of the most pandemic-hit pockets of the index.

The market meandered to a close of 7315 points, adding just 0.1 per cent to Friday's tally. It would have slipped into the red were it not for an astonishing 33 per cent rise for Sydney Airport to \$7.78, with a \$8.25 per share offer from an IFM-led consortium seeing the industrial giant trading at volumes not seen since November 2013.

Confidence in the asset flowed through the rest of the travel sector, with Qantas, Air New Zealand, Auckland International Airport, Flight Centre and toll company Transurban all climbing.

Activity was subdued across the rest of the index with US markets closed for the July 4 holiday.

Wall Street finished Friday at record highs but Westpac senior currency strategist Sean Callow tipped a softer week ahead in preparation of the unveiling of the minutes from the latest meeting of the US Federal Reserve.



The ASX closed at of 7315 points, adding just 0.1 per cent to Friday's tally.

HOW THE MARKET MOVED

Monday (%)	
Industrials	+4.93
Energy	+2.03
Utilities	+0.95
Materials	+0.14
Real estate	+0.02
Cons staples	-0.00
Financials	-0.45
Healthcare	-0.65
Comms	-0.76
Cons disc	-0.89
IT	-0.98

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

Perhaps more crucial will be today's meeting of the Reserve Bank, which Mr Callow said was likely to be "one of the most significant" of the post-pandemic period.

Bell Direct analyst Jessica Amir agreed and said investors will scour the RBA's policy decision with a fine-toothed comb for details on the outlook for interest rates and bond purchases.

"This is a real D-Day moment for investors - we know a tapering is

coming, it's not a matter of if but when," she said.

"We are going to continue to see a rotation in people's portfolios until we get some concrete direction from central banks."

Ms Amir said she expected the RBA to again acknowledge the better-than-expected economic rebound that has occurred even as parts of the country go in and out of lockdown.

She added that markets should also begin to see an easing of the financial year volatility ahead of what will be a cracker of an earnings season.

"Fund managers are getting ready - if they already haven't - and are scaling up to deploy capital," she said.

"July is historically the third best month for equities in terms of returns so you can expect people to start putting their money to work in anticipation of a strong reporting season."