

**US SEES SMALL FALL GIVING SLIGHT LEAD**

Index	Index Level	Change (%)	Stocks	Price (\$)	Change (%)	Price rises	Price (\$)	Change (%)
ASX S&P200	4820	0.97	ANZ	23.80	-0.13	MQG	49.55	3.10
All Ordinaries	4808	0.85	CBA	54.82	-0.51	RIO	76.94	2.57
SPI Futures	4809	0.10	NAB	26.33	-0.64	ASX	36.80	2.48
Dow Jones (US)	10553	-0.13	WBC	26.83	0.30	BHP	43.51	2.38
FTSE (UK)	5607	0.12	MQG	49.55	3.10	ORG	16.86	2.31
Shanghai(China)	3053	0.73	BHP	43.51	2.38	Price falls	Price (\$)	Change (%)
Nikkei 225 (Jap)	10586	2.09	RIO	76.94	2.57	PMC	1.46	-1.68
Hang Seng (HK)	21197	1.97	WPL	45.25	1.64	HVN	3.95	-1.50
AUS/USD	0.9094	0.19	WOW	27.93	-0.43	HDF	1.22	-1.21
Gold (\$US)	1124.50	-1.14	WES	32.53	-0.55	SKI	1.23	-1.20
Oil (\$US)	81.81	0.16	HVN	3.95	-1.50	SHL	13.22	-0.97

**Market Summary**

Yesterday the Australian market reacted to the strong gains in the US on Friday night but then drifted over the rest of the day. Trade was highlighted by the PetroChina Royal Dutch Shell bid for Arrow Energy in a play for Queensland coal seam methane exposure. The rest of the oil sector also pushed higher on the news.

Today the SPI futures are 7 points higher indicating a slightly positive open. Overnight AIG sold its second-largest foreign life-insurance business pushing the insurance sector higher. This may help local insurers share price this morning but may be offset by the amount of local claims after the flooding and difficult Melbourne weather.

Stocks trading ex dividend today include CSL & Iress. Stocks trading ex dividend tomorrow include Flexigroup, GUD and Salmat.

**Australian Company & Economic Reports**

**BHP Billiton (BHP)** has succeeded in pricing a large portion of its coking coal with a range of international customers on a quarterly basis. The company said it has reached an agreement with customers in Europe, China, India and Japan, as part of its commitment to achieve market clearing prices across all of its bulk commodities. Japan's major steelmakers agreed to a 55% hike in price for the April-June quarter, marking a significant step away from the annual benchmark system. Japanese steel mills will buy coking coal from the BHP Mitsubishi Alliance at US\$200/mt, up from last year's benchmark price of US\$129/mt. BHP increased \$1.01 (2.38%) to \$43.51.

**Suncorp (SUN) and IAG (IAG):** Suncorp-Metway said it expects the number of insurance claims from severe weather events in Victoria and Queensland in recent days to continue to rise, noting it is too early to estimate their cost. A spokesman said the firm has received around 6,000 claims from policyholders across all its insurance brands, including GIO, AAMI and APIA, in both states. "As of Sunday, we had about 5000 claims coming out of Melbourne. We do expect that number to increase as people return from the long weekend," said the spokesman, adding there has been "about 1,000" claims lodged from policyholders across southern Queensland where there has been widespread flooding. He said it is too early to estimate the costs to the firm from either event, as they focus on putting extra claims assessors into affected areas to process the claims as quickly as possible. A spokesman for Insurance Australia Group (IAG) said it is "still too early," to comment on the impact of bad weather. SUN fell 15 cents (1.73%) to \$8.54 and IAG fell 8 cents (1.97%) to \$3.98.

**Arrow Energy (AOE):** PetroChina launched a bid with Royal Dutch Shell for Arrow Energy. Royal Dutch Shell and PetroChina are offering to pay around \$3.26bn in cash for Arrow Energy. Shareholders are being offered \$4.45 a share, representing a 28% premium from Arrow's last closing price of \$3.48. Arrow said shareholders would also get one share in a new entity that would comprise its international business for each existing Arrow share. Arrow's board has recommended shareholders take no action on the offer. It is unclear how large a role PetroChina is playing in the joint bid. The offer is currently non-binding and conditional. A spokesman for Shell confirmed the bid is only for Arrow's Australian assets and wouldn't speculate if the company would be prepared to invest beyond its current 10% interest in Arrow's offshore business. AOE shot up \$1.63 (46.84%) to \$5.11.

## International Market Report

Major stock indexes were mixed on Monday afternoon as investors paused their recent bets on the economy, though gains for Cisco Systems helped boost the technology sector. The Dow Jones Industrial Average, which is coming off its best weekly performance since mid-February, finished 13.7 points lower (0.13%) at 10,552.5. The Nasdaq Composite Index increased 5.9 points (0.25%) to 2,332.2. The S&P 500 lost 0.2 points (0.02%) to 1,138.5.

Cisco, a component of all three major indexes, climbed 3.4%, ahead of a technology announcement it had set for Tuesday. Traders expect that Cisco will show how it can help telecommunications companies boost their Internet speeds to meet growing user demand.

In economic news, US labour markets gained strength in February, suggesting job gains are around the corner, according to the Conference Board's employment trends index, which rose to 93.5 from 93.2 in January. The six-month growth rate of 13.4% is the fastest since 1994.

While the consensus on Wall Street is that a second dose of recession isn't on the way in the US, participants were more sceptical on Monday about whether the recovery would be sufficiently robust to justify new bets on the market.

Health-care stocks were hurt by the latest developments in Washington. Pfizer was off 0.9% after the Supreme Court agreed to hear an appeal over whether the drug maker's vaccines caused serious illnesses in some children. Investors also paid close attention as President Barack Obama made his latest pitch for health reform, taking insurance companies to task over premium increases.

On a more promising note for the insurers, American International Group agreed to sell its second-largest foreign life-insurance business, American Life Insurance, or Alico, for \$15.5bn in cash and stock to MetLife. AIG rose 3.7%, while MetLife climbed 5.1%. Elsewhere, UK-based Royal Dutch Shell PLC and China-based PetroChina made a \$3bn joint bid for Australian coal-seam gas producer Arrow Energy. American depositary shares of PetroChina rose 1.7%.

For Australian ADRs listed on the NYSE, **BHP Billiton** climbed 0.16%, **Rio Tinto Plc** dipped 0.78%, **Telstra Corporation** slid 0.6% and **Westpac** weakened 0.75%.

European shares ended slightly lower on Monday after failing to break out of a tight range, with weakness in drug stocks offsetting more signs of support for Greece as it continues to grapple with its debt burden. The Stoxx Europe 600 index closed 0.1% lower at 256.87, after moving between small gains and losses through the session.

Among the major regional equity markets, the German DAX index fell 1.45 points to close at 5,875.91 and the French CAC-40 index declined 0.2% to end at 3,903.54. The UK's FTSE 100 index gained 0.1% to settle at 5,606.72.

Further signs of European support for Greece emerged over the weekend, with French President Nicolas Sarkozy stating that a number of countries were ready to rescue the nation if necessary, while German Finance Minister Wolfgang Schaeuble suggested the possibility of creating a European fund modelled on the International Monetary Fund.

On the FTSE 100, **Rio Tinto** strengthened 0.53% and **BHP Billiton** gained 1.18%.

Asian markets rallied strongly, with resource sector stocks leading a broad-based advance on higher commodity prices. Japan's Nikkei Stock Average of 225 companies ended up 2.1% at 10,585.92, Hong Kong's Hang Seng Index advanced 2.0% and China's Shanghai Composite climbed 0.7%.

Base metals on the London Metal Exchange were mixed, paring early gains as the euro lost some of its strength against the US dollar, while China's current reluctance to buy is proving a barrier to sustainable rallies, traders and analysts said. Aluminium rose \$8 (0.36%) to \$2,233 while copper fell \$25 (0.33%) to \$7,515 and nickel firmed \$45 (0.20%) to \$22,450. Zinc added \$25 (1.07%) to \$2,370 and lead strengthened \$40 (1.79%) to \$2,270. Comex copper was last quoted at 341.35 US cents per pound.

Spot gold was last quoted at \$1,120.70. Comex gold futures lost \$11.20 (0.99%) to \$1,124.00. Spot silver was last quoted at \$17.15. West Texas Intermediate was last quoted at US\$81.87 per barrel.

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