



What Worked - Australia

A good week for Value AND Momentum investors

27th Jan 2017

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What Worked

Most value metrics strong this week

This was one of those rare weeks in which both Value and Momentum metrics all worked. Forward looking PER managed to post its largest week since October last year. The more expensive side of the market saw a relatively big selloff, returning all market relative gains made from the start of the year, while the cheaper names continued their outperformance that has been consistent since the beginning of December 2016. Expensive names that underperformed the index this week included Transurban Group (TCL, -1.5%), Domino's Pizza (DMP, -6.4%) and Technology One (TNE, -1.3%), while the other end of the PER scale provided winners in the form of Genworth Mortgage (GMA, +1.6%), Fortescue Metals (FMG, +7.2%) and Sandfire Resources (SFR, +9.4%).

And all momentum periods and types positive also

Momentum in all its forms, both Price and Earnings Forecast, and over all time frames, produced strongly positive results for the week. The standout performer was 12 Month momentum, with names that have been battered over the last 12 months coming off further, including Bellamy's Australia (BAL, -5.0%), Sirtex Medical (SRX, -6.2%) and Mantra Group (MTR, -2.4%). Names up over the last 12 months continued to provide positive returns this week, and it was largely the resources and related industries space that filled this group. Mineral Resources (MIN, +6.4%), South32 Limited (S32, +7.1%) and Bluescope Steel (BSL, +4.5%) all provided returns well above the index this week.

Who Moved

Volumes still not back

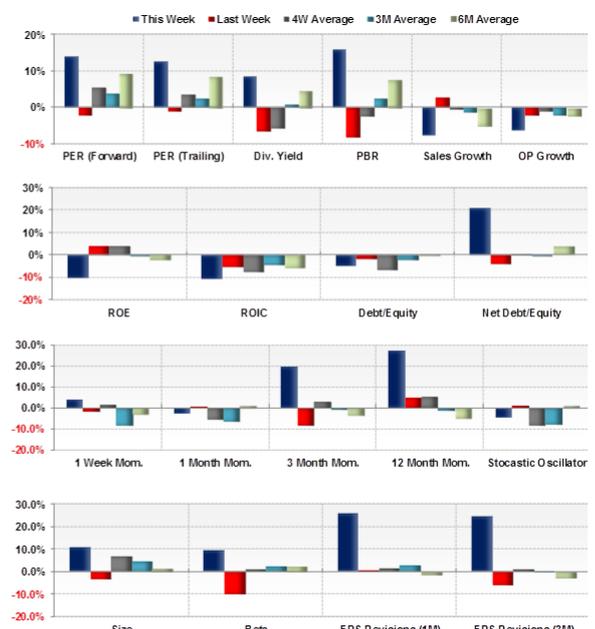
Not a particularly strong week for volumes, with only 4 names from the index posting significantly higher than average volumes, and worse still when considering that the bulk of the last 65 trading days were filled with the lead up into the holidays and the end of year holidays themselves, a traditionally very weak volume period. All 4 names posted negative returns this week - Brambles Limited (BXB, -13.5%), Mantra Group (MTR, -2.4%) and Western Areas Limited (WSA, -1.2%) and CSL Limited (CSL, -2.0%).

Summary

ASX 200, Week Ending 27 Jan 2017

Signal	Index Return: 1.0%		-1.2%		0.8%		10.2%		2.6%	
	This Week	Last Week	4W Average	3M Average	6M Average	IC	Spread	IC	Spread	
Value & Growth										
PER (Forward)	14.0%	1.7%	-2.2%	-0.6%	5.4%	3.2%	3.8%	1.0%	9.2%	11.5%
PER (Trailing)	12.5%	0.5%	-1.1%	-0.7%	3.6%	1.3%	2.4%	1.0%	8.5%	12.9%
Div. Yield	8.3%	1.3%	-6.8%	-1.3%	-5.8%	-1.3%	0.8%	-0.4%	4.5%	1.6%
PBR	15.9%	1.7%	-8.3%	-0.8%	-2.5%	0.0%	2.5%	3.0%	7.7%	22.7%
Sales Growth	-7.7%	-0.8%	2.8%	0.6%	-0.5%	0.6%	-1.4%	-2.0%	-5.0%	-8.6%
OP Growth	-6.4%	0.1%	-2.1%	-0.1%	-1.0%	1.7%	-2.3%	0.1%	-2.3%	-3.3%
Quality										
ROE	-10.3%	-1.2%	4.0%	0.9%	3.8%	1.4%	-0.6%	-3.0%	-2.3%	-9.7%
* ROIC	-11.0%	-1.5%	-5.6%	-0.4%	-7.6%	-2.9%	-4.8%	-8.3%	-5.8%	-19.6%
* Debt/Equity	-5.2%	-0.2%	-1.7%	-1.0%	-6.9%	-3.7%	-2.4%	-3.2%	-0.7%	-0.7%
* Net Debt/Equity	21.0%	1.9%	-4.3%	0.3%	0.3%	2.2%	-0.2%	1.4%	3.4%	1.1%
Momentum & Technical										
1 Week Mom.	3.9%	0.2%	-1.8%	-0.6%	1.6%	0.2%	-8.6%	-9.0%	-3.0%	-9.4%
1 Month Mom.	-2.7%	0.3%	0.5%	0.2%	-5.7%	-0.7%	-6.6%	-2.7%	1.2%	-3.9%
3 Month Mom.	19.7%	2.1%	-8.7%	-0.8%	2.8%	1.1%	-1.0%	-0.8%	-3.4%	-9.4%
12 Month Mom.	27.0%	2.7%	4.7%	0.1%	5.1%	3.1%	-1.5%	0.2%	-4.8%	-7.0%
Stochastic Oscillator	-4.9%	0.2%	0.9%	0.4%	-8.3%	-0.9%	-7.9%	-3.3%	1.0%	-1.8%
Other										
Size	10.6%	0.3%	-3.4%	-1.3%	6.9%	-0.1%	4.6%	1.5%	1.5%	-3.6%
Beta	9.7%	0.5%	-10.2%	-0.6%	0.9%	0.9%	2.5%	3.1%	2.5%	8.2%
EPS Revisions (1M)	25.9%	2.0%	0.1%	-0.4%	1.7%	0.6%	2.9%	2.4%	-1.0%	0.4%
EPS Revisions (3M)	24.7%	1.5%	-6.2%	-2.0%	0.9%	-1.3%	-0.3%	-3.7%	-2.6%	-5.1%

* ex Financials
 = Compound weekly spread return over the specified period
 Spread is defined as the Long/Short return of the quintiles (i.e. top 20% - bottom 20%, equal weighted)





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