



What Worked - Australia

Short term momentum hurts value and growth alike

5th May 2017
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What Worked

Short term momentum strong

Value, growth – did not matter this week as a swing into short term momentum hit both value and high growth names alike. While names like Bellamy's (BAL, +12.3%), Flight Centre Travel (FLT, +9.7%) and BT Investment (BTT, +1.8%) are among the best performing names over the last month that added to gains once again this week. On the other side however, Vocus Group (VOC, -29.4%), Fortescue Metal (FMG, -6.4%) and Mayne Pharma Group (MYX, -11.5%) all underperformers for the month that closed the week lower.

Value hurt as a result

While momentum ran, Value took a dive – cheap names on a forward PER basis such as Resolute Mining (RSG, -6.2%), Flexigroup (FXL, -12.4%) and Mineral Resources (MIN, -9.1%) all names that are trading at less than 10x forward earnings, and all were hit hard this week. On the other side of that trade saw NextDC (NXT, +3.8%), Sydney Airport (SYD, +3.5%) and APA Group (APA, +3.2%) all becoming more expensive. Looking over history, using forward PER as the sole basis for a strategy would have yielded almost the same return whether you bought the cheapest or the most expensive group.

Who Moved

Volumes picked up as region on holidays

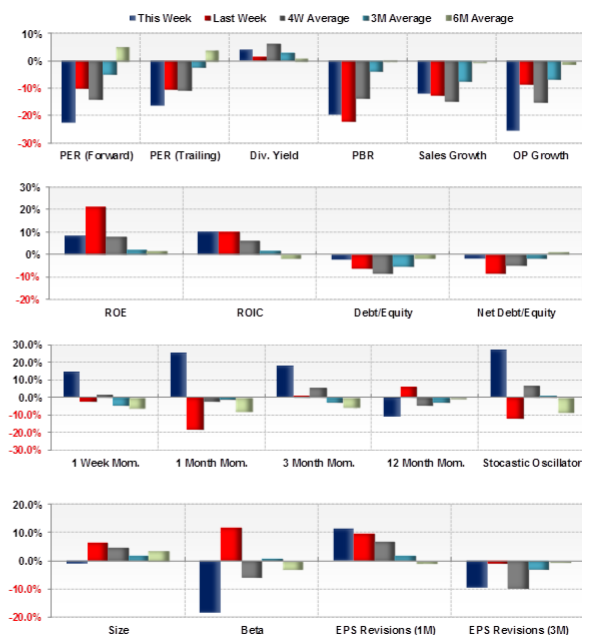
With most of the Asia Pac region having holidays in one form or another this week, Australia seemed to pick up a little of slack in trading volumes. 21 names from the benchmark index moved on significantly higher than normal volumes this week. On the positive side, Qantas Airways (QAN, +4.2%), ARB Corp (ARB, +3.9%) and CSR Limited (CSR, +3.7%) all finished the week higher backed by volume, while Mayne Pharma (MYX, -11.5%), Independence Group (IGO, -8.0%) and Alumina Limited (AWC, -7.3%) all finished lower.

Summary

ASX 200, Week Ending 05 May 2017

Signal	-0.8%		1.2%		0.2%		2.7%		13.4%	
	IC	Spread	IC	Spread	IC	Spread	IC	Spread	IC	Spread
Value & Growth										
PER (Forward)	-22.6%	-3.8%	-10.3%	-1.3%	-14.0%	-8.7%	-4.9%	-7.5%	5.3%	-5.4%
PER (Trailing)	-16.5%	-2.6%	-10.3%	-0.9%	-10.8%	-5.8%	-2.3%	-3.3%	4.3%	-0.5%
Div. Yield	4.1%	0.2%	1.5%	0.5%	6.4%	2.6%	3.2%	3.0%	1.1%	1.5%
PBR	-19.7%	-2.1%	-22.4%	-1.8%	-13.7%	-5.6%	-3.9%	-4.6%	0.5%	-2.2%
Sales Growth	-11.8%	-1.8%	-12.5%	-0.9%	-15.0%	-5.8%	-7.4%	-9.7%	-0.4%	-12.6%
OP Growth	-25.4%	-4.9%	-8.7%	-1.0%	-15.2%	-8.5%	-6.9%	-11.6%	-0.9%	-12.9%
Quality										
ROE	8.5%	1.3%	21.3%	1.0%	7.7%	1.8%	2.1%	-0.4%	1.2%	-2.6%
* ROIC	10.0%	2.3%	10.0%	0.4%	6.1%	2.0%	1.7%	3.8%	-1.7%	-2.3%
* Debt/Equity	-2.3%	-0.3%	-6.5%	0.0%	-8.6%	-2.3%	-5.3%	-4.6%	-2.1%	-8.5%
* Net Debt/Equity	-1.7%	-0.2%	-8.7%	-0.0%	-5.2%	-0.1%	-2.0%	-2.7%	0.7%	-2.5%
Momentum & Technical										
1 Week Mom.	14.6%	1.7%	-2.6%	-0.9%	1.5%	-0.8%	-4.8%	-12.0%	-6.1%	-20.9%
1 Month Mom.	25.2%	3.6%	-18.5%	-1.4%	-2.5%	1.2%	-1.4%	-6.1%	-7.5%	-10.6%
3 Month Mom.	18.3%	3.3%	0.7%	-0.4%	5.3%	4.0%	-3.3%	-7.6%	-5.5%	-11.4%
12 Month Mom.	-11.2%	-1.5%	6.3%	0.1%	-4.6%	-3.0%	-3.0%	-7.5%	-0.2%	-7.6%
Stochastic Oscillator	27.0%	3.9%	-12.1%	-1.1%	6.6%	4.4%	0.7%	-1.3%	-8.2%	-7.1%
Other										
Size	-1.0%	-1.1%	6.6%	-0.5%	4.6%	-0.1%	1.9%	-1.7%	3.4%	0.5%
Beta	-18.3%	-2.1%	11.7%	0.2%	-5.9%	-2.6%	0.7%	-1.4%	-2.9%	-2.4%
EPS Revisions (1M)	11.5%	2.0%	9.5%	0.9%	6.7%	1.9%	1.8%	0.4%	-0.5%	2.0%
EPS Revisions (3M)	-9.7%	-1.6%	-0.9%	-0.2%	-9.9%	-4.3%	-3.2%	-7.6%	-0.2%	-12.2%

* 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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