



What Worked - Australia

Profitability rules this week

16th Jun 2017

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What Worked

Profitability metrics stood out this week, in large part driven by underperformance of Australia's least profitable names. This week saw the strongest week for ROIC in 9 months, and it has been steadily climbing over the last 3 weeks. One thing to be wary of though is that seems to be about the limit for this factor, with some serious negative performance potential in the next couple of weeks. Low ROIC names doing poorly this week included Iluka Resources (ILU, -3.3%), Ardent Leisure Group (AAD, -0.9%) and Santos Limited (STO, -2.6%). High ROIC names also did well, although as a group was largely in line with the benchmark. High ROIC names that really outperformed included Bellamy's Australia (BAL, +15.2%), a2 Milk (A2M, +2.8%) and St. Barbara (SBM, +3.1%).

Unprofitable names hurt

Some bottom fishing on short-term momentum names

There was also a reasonably strong reversal in the short term momentum names. This Rank IC number, however, is not reflected in the top and bottom quintiles and is in large part being driven by names in the middle 60% of the market. Short term momentum has been working as a positive signal for the best part of the last month, and has finally hit its snapping point and has flipped back to being a contrarian signal – names down over the last month that bounced hard this week include Sigma Healthcare (SIG, +3.6%), Sirtex Medical (SRX, +5.8%) and Mayne Pharma (MYX, +5.5%).

Who Moved

Couple of big moves on volume

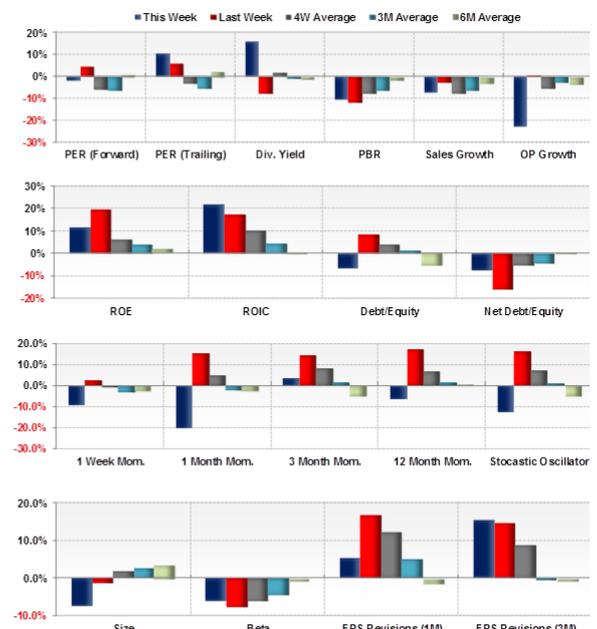
13 names in the benchmark index moved this week on significantly higher than normal volumes. For the most part, these moves were positive. On the downside, Galaxy Resources (GXY, -23.6%), Medibank Private (MPL, -2.5%) and BHP Billiton (BHP, -2.3%) all finished the week lower. On the positive side of things, Acconex (ACX, +10.8%), Mineral Resources (MIN, +8.4%) and Ansell Limited (ANN, +7.6%) all finished the week higher.

Summary

ASX 200, Week Ending 16 Jun 2017

Signal	Index Return: 1.5%		-1.9%		0.6%		0.2%		4.2%	
	This Week	Last Week	4W Average	3M Average	6M Average	IC	Spread	IC	Spread	
Value & Growth										
PER (Forward)	-2.0%	-0.5%	4.6%	1.9%	-6.3%	-0.7%	-6.7%	-8.8%	0.9%	-2.0%
PER (Trailing)	10.4%	0.2%	5.8%	1.3%	-3.5%	-1.4%	-5.7%	-6.9%	2.1%	0.2%
Div. Yield	15.9%	1.9%	-7.9%	-0.9%	1.5%	-0.7%	-1.0%	-2.5%	-1.1%	-5.2%
PBR	-10.7%	-1.0%	-11.9%	0.1%	-8.1%	-1.4%	-6.7%	-5.2%	-1.7%	-5.2%
Sales Growth	-7.6%	-0.9%	-3.0%	-0.1%	-7.9%	-2.9%	-6.5%	-7.7%	-3.1%	-11.2%
OP Growth	-23.2%	-2.8%	0.4%	0.7%	-5.5%	-1.9%	-3.1%	-5.8%	-3.5%	-8.4%
Quality										
ROE	11.5%	0.5%	19.4%	0.6%	6.1%	0.5%	4.0%	1.9%	1.8%	2.3%
* ROIC	21.9%	0.8%	17.5%	1.2%	10.0%	0.9%	4.2%	1.3%	-0.5%	1.8%
* Debt/Equity	-6.7%	-1.4%	8.4%	1.4%	3.8%	1.0%	1.1%	2.2%	-5.3%	-4.0%
* Net Debt/Equity	-7.7%	-0.9%	-16.0%	-2.3%	-5.5%	-4.3%	-4.4%	-5.8%	-0.0%	-5.9%
Momentum & Technical										
1 Week Mom.	-9.6%	-0.3%	2.4%	-0.9%	-1.0%	-1.0%	-3.1%	-5.5%	-2.2%	-16.0%
1 Month Mom.	-20.4%	-1.3%	15.4%	-0.0%	4.7%	1.5%	-2.4%	-3.0%	-2.4%	-13.2%
3 Month Mom.	3.4%	0.5%	14.3%	-0.4%	8.4%	1.3%	1.4%	1.5%	-4.8%	-13.5%
12 Month Mom.	-6.5%	-0.3%	17.3%	0.8%	6.8%	3.0%	1.7%	1.6%	0.1%	1.9%
Stochastic Oscillator	-12.9%	-0.7%	16.4%	1.1%	7.2%	2.8%	1.2%	0.4%	-4.7%	-10.4%
Other										
Size	-7.6%	0.4%	-1.4%	-0.6%	1.9%	1.6%	2.5%	2.5%	3.4%	1.3%
Beta	-6.1%	-1.3%	-7.7%	-2.2%	-6.3%	-4.5%	-4.5%	-6.8%	-0.4%	-9.1%
EPS Revisions (1M)	5.3%	1.1%	16.8%	0.9%	12.2%	4.3%	5.0%	3.2%	-1.4%	0.8%
EPS Revisions (3M)	15.3%	1.8%	14.5%	0.8%	8.8%	1.1%	-0.7%	-4.2%	-0.6%	-10.2%

* 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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