



What Worked - Australia

PER very strong on the back of momentum reversal

30th Jun 2017
Simon Rigney

What Worked

PER providing solid performance

PER, both forward and trailing, were the standout factors for this week in the Aussie market, mounting a huge positive reversal on Low PER names after nearly 2 months of strong negative ICs. While the more expensive names in the market took a break this week, finishing largely in line with the benchmark, it was the cheaper names that took the show. Flexigroup Limited (FXL, +8.0%), Whitehaven Coal (WHC, +6.9%) and Seven West Media (SWM, +3.6%) all ended the week up, and yet still trading at sub-10x forward earnings.

Reversal in mid-term momentum

While ROIC and ROE have gotten a couple of mentions over the last few weeks, ROIC finally dropped into the negative IC space, albeit only just. ROE still provided some returns, with almost equal performance in the top and bottom quintiles – high ROE names did well, low ROE names did not. As a factor, these signals are still looking overstretched and primed for a reversal. There was also a reasonably strong reversal in the mid-term momentum space, notably 3- month came off this week. While name up over the last 3 months still managed to outperform the index, it was the laggards that came out on top. Amongst the names down over the last 3 months that finished this week up were Sigma Healthcare (SIG, +3.8%), Galaxy Resources (GXY, +1.5%) and Greencross Limited (GXL, +10.6%). All of these names still have a way to go to break even after losses over the trailing 3 months

Who Moved

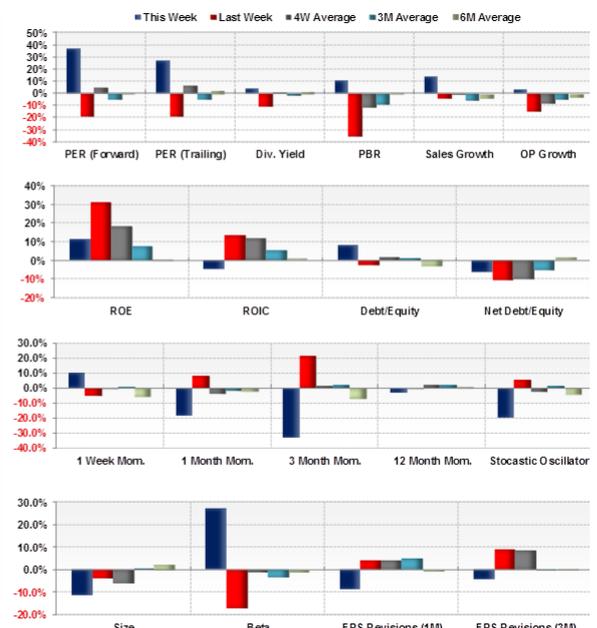
Couple of big moves on volume

14 names in the benchmark S&P ASX 200 managed to move on volume this week, with an even spread between the losers and winners. On the losing side, Aveo Group (AOG, -8.9%), Crown Resorts (CWN, -3.8%) and Regis Healthcare (REG, -1.5%), while the winners circle included names such as Mineral Resources (MIN, +18.2%), SIMS Metal Management (SGM, +11.2%) and Bega Cheese (BGA, +9.7%).

Summary

ASX 200, Week Ending 30 Jun 2017

Signal	Index Return: 0.3%		-1.0%		-1.0%		-2.3%		1.1%	
	This Week	Last Week	4W Average	3M Average	6M Average	IC	Spread	IC	Spread	
Value & Growth										
PER (Forward)	36.6%	4.1%	19.3%	-1.3%	5.0%	4.2%	-5.5%	-7.0%	0.3%	-1.5%
PER (Trailing)	27.0%	3.4%	19.5%	-1.7%	5.9%	3.2%	-5.5%	-6.3%	2.3%	-0.7%
Div. Yield	3.6%	-0.5%	10.9%	-1.3%	0.2%	-1.0%	-1.8%	-3.7%	1.2%	-5.7%
PBR	10.4%	1.0%	35.8%	-2.1%	12.0%	-2.0%	-9.2%	-6.9%	0.2%	-6.3%
Sales Growth	13.5%	1.9%	4.1%	-1.2%	-0.3%	-0.3%	-5.9%	-7.4%	-3.2%	-11.8%
OP Growth	2.8%	0.7%	14.7%	-0.9%	-8.7%	-2.3%	-5.0%	-7.3%	-3.0%	-10.3%
Quality										
ROE	11.4%	1.8%	31.0%	1.8%	16.3%	4.9%	7.8%	5.6%	-0.2%	5.7%
* ROIC	-4.6%	-0.1%	13.7%	1.7%	12.1%	3.6%	5.3%	2.5%	0.2%	3.9%
* Debt/Equity	8.2%	0.8%	2.6%	-0.2%	1.8%	0.6%	1.2%	2.2%	-3.2%	-4.8%
* Net Debt/Equity	-6.4%	-0.7%	10.4%	-0.5%	10.1%	-4.3%	-5.4%	-6.3%	0.9%	-7.8%
Momentum & Technical										
1 Week Mom.	10.2%	1.4%	-5.6%	-0.1%	-0.6%	0.0%	0.1%	-1.5%	-5.5%	-13.6%
1 Month Mom.	16.7%	-1.5%	8.1%	1.0%	-3.9%	-1.8%	-2.1%	-0.5%	-1.9%	-10.3%
3 Month Mom.	33.4%	-3.4%	21.5%	1.8%	1.4%	-1.6%	2.3%	1.1%	-6.7%	-12.3%
12 Month Mom.	3.4%	-0.5%	0.2%	-0.6%	1.8%	-0.6%	2.0%	0.8%	0.5%	-1.2%
Stochastic Oscillator	19.9%	-1.7%	5.3%	0.4%	2.8%	-0.9%	1.3%	1.6%	-3.6%	-7.4%
Other										
Size	11.2%	-2.4%	3.8%	-1.0%	-6.0%	-3.5%	0.5%	-1.2%	2.4%	-2.2%
Beta	27.3%	2.3%	17.3%	-2.1%	-1.0%	-3.3%	-3.6%	-6.8%	-0.8%	-8.6%
EPS Revisions (1M)	8.7%	-1.3%	4.0%	0.5%	4.3%	1.1%	5.1%	3.3%	-0.2%	1.6%
EPS Revisions (3M)	4.2%	-0.2%	9.0%	1.3%	8.6%	3.7%	-0.0%	-2.4%	0.3%	-8.2%



* 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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