

## ASX Today: Shares tank as China re-opens



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The Australian share market tumbled 80 points as oil touched its lowest level in a year and Chinese markets re-opened with massive losses.

The **ASX 200** surrendered its grip on 7,000, falling 1.1 per cent to 6933 by mid-session. At its nadir this morning the index was down 120 points as China's markets re-opened under the shadow of the coronavirus epidemic after being closed for more than a week.

The **Shanghai Composite** plunged almost 9 per cent in early action before trimming its loss to 7.5 per cent. Hong Kong's Hang Seng edged up 0.44 per cent. Japan's Nikkei shed 1.08 per cent. In the US, S&P 500 index futures charged 21 points or 0.6 per cent while most interest was centred on the Super Bowl.

Energy stocks bore the brunt of the ASX sell-off as oil tested one-year lows. Brent **crude** entered a technical bear market this morning after trading as low as \$US55.57 a barrel. This morning's rout followed a Bloomberg report that Chinese demand was down 20 per cent on the virus lockdown. Brent crude for April delivery was lately down 33 cents at \$US56.29 a barrel.

**Oil Search** crumbled 7.5 per cent after the company announced plans to expand a gas project were under a cloud after Papua New Guinea rejected the latest offer from Oil Search's partner Exxon Mobil. Santos fell 4.7 per cent, Beach Energy 4.5 per cent and Woodside 2.3 per cent.

The **financial sector** fell 1.3 per cent as three of the big four fell more than 1.4 per cent. ANZ shed 1.8 per cent, NAB 1.7 per cent and Westpac 1.4 per cent. The Commonwealth Bank fared best with a drop of 0.6 per cent. AMP declined 4.8 per cent to a three-month low after announcing a new chief financial officer.

Stocks exposed to the impact of the **virus outbreak** continued to lose ground. Language school operator IDP Education shed 6.8 per cent, online travel agent Webjet 4.1 per cent, A2 Milk Company 3.9 per cent, Star Entertainment Group 3.6 per cent and Treasury Wine Estate 4.1 per cent. Qantas trimmed its loss to 2.3 per cent as the cost of fuel declined.

**Defensive sectors** fared best, utilities down a modest 0.1 per cent and healthcare 0.4 per cent. Gold stocks topped the leaders' table on the index, Northern Star rising 3.3 per cent, Gold Road Resources 2.8 per cent and Evolution Mining 2.6 per cent.

In economic news, building approvals were stronger than expected last month and jobs advertising rebounded sharply. The number of dwellings approved was 2.7 per cent stronger than the same time last year as the revival in house prices encouraged builders. January job ads recorded a seasonally-adjusted 3.8 per cent rise, reversing much of December's 5.7 per cent slump.

An early rally in **gold** faded by mid-session. Gold was lately flat at \$US1,587.90 an ounce after trading above \$US1,594.

The **dollar** edged up more than 0.1 per cent to 67 US cents.

#### **What's hot today and what's not:**

**Hot today:** traders looking for winners from the coronavirus outbreak have seized on any company with a product, patent or plan that might be effective against the virus. A shallow pool of local contenders includes: Biotron (ASX: BIT), which develops treatments for serious viral diseases; Zoono Group (ASX: ZNO), which makes sanitisers that it is testing for effectiveness against the new strain; and Holista Colltech (ASX: HCT), which reported a spike in Malaysian demand for its disinfectant sprays. This morning saw BIT rise 15 per cent to a four-month high, ZNO 9.2 per cent to an all-time peak and HCT 22.3 per cent to its strongest price since March 2018. Shares in exporter Jatenergy fell back to even after the company reported a surge in Chinese demand for its lactoferrin dairy products, which are claimed to help "modulate the immune system".

**Not today:** investors took a big stick to FlexiGroup (ASX: FXL) this morning, despite the financial services provider's best attempts to sugar a bitter pill. Shares plummeted 8.8 per cent after the company downgraded its transaction volume growth outlook. The company issued no earnings guidance, but insisted new product launches and partnerships would offset a soft retail trading environment. CEO Rebecca James announced a new four-year deal with Flight Centre to supply interest-free finance to approved customers.