



Chinese leading overseas investor drive Down Under

Sarah-Jane Tasker
 Mining

OFFSHORE investors will again look to Australia as the country continues to enjoy premium growth compared with the rest of the world.

Patersons Securities research head Mark Simpson told the Brisbane Mining conference yesterday that investors who pulled money out a year ago because of the global financial crisis would start to look back to international opportunities. They would see faster growth and potentially a currency play by reinvesting in Australia.

On the Australian market, Mr Simpson said the Reserve Bank was more positive than the International Monetary Fund.

“On the basis of profit recovery, this market is not over-extended,” he said.

“Even though it rallied dramatically from the lows, the markets have fair value today.

“I do not believe markets have run too far, too fast. They are playing catch-up ... as risk has been substantially reduced.

“We are seeing a return of capital sources, which will

continue to impinge positively in the equity markets.”

China will continue to be the driving force behind Australia’s recovery, with renewed interest from pension funds to follow the corporates into Australian markets, Mr Simpson said.

He also told the conference China was managing medium-term growth by reducing the short-term froth.

“But in no way is that to change policy, it is fine-tuning,” he said. “We are seeing an important migration from an export-driven economy over the next 10 years to a consumption story domestically.

“Rates of growth (in China) will flow from the top line perspective but the cumulative impact of year-on-year growth suggests that what we have seen in the last 10 years is a preamble to the explosion of the consumer in the China market in the next 10 years. That is the key to understanding the impact China will have in Australia over the next decade.”

China’s strong relationship with Australia is driven by the resources sector.

CRU Strategies regional

director Allan Trench said metals consumption growth globally, this decade, for the majority of LME metals had at least been 75 per cent China-related, and for some metals 100 per cent China-related.

“The real driver of metals is the Chinese story,” he told the conference.

The long-term structural story in China was still on track, he said. “It has actually surprised on the upside, and if it does that again then we will have real problems keeping up with the metals demand across a range of metals,” he said.

LimeStreet Capital managing director Stephen Bartrop backed the widespread industry view that China was leading the recovery.

Mr Bartrop said the major miners were saying restocking was complete in China to some degree and the market was looking for real demand to emerge.

“Overall, we really need some positive information coming out of the US and the rest of the Western world to drive those exports that are going to lead to sustainable Chinese demand,” he said.