

Perth Now

The rise and rise of resource shares

- Anthony Keane
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Resources stocks topped the share market investment return tables in 2010 and many forecasters expect a similar story this year / File

Source: The Australian

RESOURCE stocks topped the share market investment return tables in 2010 and many forecasters expect a similar story this year.

All of the 20 biggest gainers among the All Ordinaries index last year were part of the mining or energy industries, with their rises ranging from 152 per cent to 730 per cent for US-focused energy company Aurora Oil & Gas.

Among our 50 biggest stocks, resource company shares took the top four spots.

Iron ore giant Fortescue Metals Group was the clear winner, with a 47 per cent share price increase, despite its billionaire founder Andrew Forrest's legal stoush with the Australian Securities and Investments Commission.

However, at \$6.54 on Friday, Fortescue shares are still well below their record high of \$13.15 reached in mid-2008.

Oil Search, Rio Tinto, goldminer Newcrest and BHP Billiton all enjoyed good gains, but could not lift the top 50 into positive territory for the year.

The S&P/ASX 50 index fell 3.8 per cent in 2010 while the much broader All Ords which measures 500 companies dropped 0.7 per cent.

Ord Minnett senior client adviser Nick Ross says 2010 was a mixed bag for investors. "You had the resource sector performing very well but the industrial sector was patchy," he says. "People were focused on China but concerned about the state of the US.

"Everyone still expects the resource sector to perform well (in 2011) but much will depend on China and where it goes.

"It's hard to read. The long-term trend remains strong, but there's bound to be some hiccups on the way."

Ord Minnett expects the share market to climb about 10 per cent within six months.

Lachlan Partners chief investment officer Paul Saliba says analysts' forecasts suggest about 17 per cent growth by the end of 2011.

"Interestingly these forecasts are at a similar level to what was being put forward this time last year," he says.

"We have no doubt that the market will reach the level suggested, but timing is clearly an issue. While to many this level of growth may seem excessive, we believe that the global economy is on a path to recovery and the domestic market is relatively cheap.

"China continues to grow and the resources sector is continuing to drive our economy despite recent weakness outside the sector. So there is much to be positive about."

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