

INVESTMENT REVIEW & Outlook

May 2009

Australian economy

As had been widely anticipated, the RBA forecast a recession for 2009-10 during April. Non-farm GDP is now forecast to contract by 1.5% over the year to June 2009 with the overall economy contracting by 1.25%. They continue to forecast a recovery in 2010 and 2011.

Recent data on the Australian economy has been mixed: lagging and coincident indicators such as the labour market and house prices have been grim however, lending for new houses, the retail sector, the trade balance, data out of China on industrial production and the stock market have all been better.

Australian shares

The Australian sharemarket rose for the second month in a row, with the All Ordinaries Index (All Ords) rising 6.0%. Despite worse than expected results from some banks and the prospect of a Swine Flu pandemic, the market finished the month strong.

Global economy

At its March meeting, the Federal Reserve reaffirmed its intention to keep the Fed Funds rate between zero and 0.25%. The March quarter national accounts showed GDP falling at a seasonally adjusted annualised rate of 6.1% after falling by 6.3% year on year in the December quarter. Some of the latest business surveys however, suggest that the pace of decline is expected to reduce further and expectations are for less adverse conditions in 6 months time.

Chinese economic growth, although falling to 6.1% year on year in the March quarter, is showing signs that the pace of expansion could be about to turn upwards. On the other hand Euro zone GDP partial data points to a decline of similar magnitude in the first quarter of 2009 to that of their December 2008 decline of 1.6%.

International shares

Global equity markets continued to be led by the recent strength in the US Market to close higher at the end of April. Of notable interest the German DAX produced a phenomenal 16.8% monthly gain taking its yearly performance second only to the FTSE 100.

April market performance

Equity Markets – Price Indices		At Close 30/4/09	% Change 1 Month	% Change 12 Months
Australia	All Ordinaries	3744.67	6.0%	-33.8%
Japan	Nikkei	8828.26	8.9%	-36.3%
Hong Kong	Hang Seng	15520.99	14.3%	-39.7%
UK	FTSE 100	4243.71	8.1%	-30.3%
Germany	DAX	4769.45	16.8%	-31.4%
US	Dow Jones	8168.12	7.3%	-36.3%
EMU*	Euro 100	1771.33	12.1%	-36.9%
World**	MSCI – Ex Aus	665.29	10.2%	-36.7%

Property – Price Index		At Close 30/4/09	% Change 1 Month	% Change 12 Months
Listed Trusts	ASX LPT	703.75	6.1%	-60.4%

Interest Rates		At Close 30/4/09	% Change 1 Month	% Change 12 Months
Aust 90 day Bank Bills		3.08	-0.06	-4.72
Australian 10 year Bonds		4.75	0.14	-1.53
US 90 day T Bill		0.13	-0.08	-1.22
US 10 year Bonds		3.12	0.45	-0.61

Currency		At Close 30/4/09	% Change 1 Month	% Change 12 Months
US dollar	A\$/US\$	0.7264	5.1%	-23.0%
British pound	A\$/STG	0.4909	1.7%	3.4%
Euro***	A\$/euro	0.5488	5.1%	-9.2%
Japanese yen	A\$/yen	71.64	4.7%	-26.9%
Trade-weighted Index		59.70	4.0%	-15.6%

* Top 100 European stocks trading on the FTSE

** Source: www.msci.com

*** The euro was launched by European Monetary Union members on 1/1/99.

Source: Iress Market Technology

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