

Economic News

Economic indicators released in January were broadly strong. According to the Australian Bureau of Statistics (ABS), the unemployment rate decreased 0.1% to 5.5% in December.

Inflation was higher in the September quarter as the ABS reported the Consumer Price Index (CPI) rose 0.5% and 2.1% for the year. Contributing to the quarterly rise were fruit (+15.9%), beer (+2.1%) and domestic holiday travel and accommodation (+6.6%), while falls were recorded in audio, visual and computing equipment (-7.1%), automotive fuel (-2.8%) and pharmaceuticals (-5.3%).

Retail Sales figures fell 0.7% in December, seasonally adjusted, with concerns over rising interest rates and the withdrawal of the government economic stimulus contributing to the fall. Industries that recorded an increase included cafes, restaurants and takeaway food services (+1.4%) and food retailing (+0.2%), whilst other retailing decreased 0.1%.

On 2 February the Reserve Bank of Australia (RBA) Board announced that the official cash rate would remain unchanged at 3.75%. The RBA statement observed that the world economy had resumed growth and world GDP is expected to rise close to trend for 2010-11. The report also indicated that global financial markets have been stronger than expected. In Australia, economic conditions are strong; public infrastructure spending and housing construction have boosted demand. Housing credit has risen while business credit has fallen. The RBA Board believes that after recent official rate rises

and lenders raising rates quicker than the cash rate, it is prudent to observe the impact of recent rate changes on the domestic economy for the time being.

Economic indicators in the US were mixed. The US unemployment rate has fallen to 9.7% in January, its lowest level in five months. However non-farm payrolls data from the Bureau of Labor Statistics showed US companies cut 20,000 jobs during the month, suggesting that many people have given up their search for work. The largest job losses were in the construction sector, whilst gains were made in retail and financial activity sectors. During 2009 more than 4.8 million jobs were lost and 8.4 million since December 2007.

The Commerce Department reported that December retail sales fell 0.3%. Excluding cars, retail sales fell 0.2%. Sales were strong in health and personal care, sporting goods and hobby shops and furniture, while they fell at clothing, department and at electronics stores.

US consumer prices rose slightly to 0.1% in December, and 2.7% for 2009. Core CPI, excluding volatile energy and food costs, was also up 0.1% for December. Price rises in December slowed as gasoline costs increased 0.2%, the smallest gain in five months, and a sharp drop after surging 6.4% in November. Meanwhile, food costs increased 0.2% for the month.

The Australian Dollar (AUD) depreciated slightly, 0.67%, during January against the US dollar and finished the month at US\$0.8909. The AUD was also down 3.26% against the Japanese Yen and 1.04% against the UK Pound Sterling, but 2.47% higher against the Euro.

Market moves — as at 31 January 2010

Returns (%) p.a.	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Australian Equities							
S&P/ASX 300 Accumulation Index	-6.17	-0.95	9.92	35.67	-3.47	6.62	8.33
S&P/ASX Small Ordinaries Accumulation Index	-7.43	-1.75	8.49	52.85	-7.78	4.17	6.07
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	-2.98	3.36	1.23	-1.70	-10.96	-0.60	-2.84
S&P 500 Composite Accumulation Index (A\$)	-2.46	5.89	2.76	-4.75	-11.40	-2.53	-4.04
FTSE100 Accumulation Index (A\$)	-3.71	2.32	3.33	3.69	-12.41	-0.94	-1.97
MSCI Emerging Markets Free W/Gross Div (A\$)	-4.45	4.10	4.28	29.25	-0.86	11.40	5.84
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	-2.98	1.28	17.78	17.59	-24.80	-8.17	-
UBS Global Real Estate Investors Index (A\$)	-3.96	4.12	20.66	41.33	-17.44	-0.20	9.81
Fixed Interest							
UBS Warburg Composite Bond Index	1.35	2.47	3.88	1.67	6.87	5.98	6.64
UBS Warburg Bank Bill Index	0.35	0.98	1.78	3.42	5.85	5.88	5.62
BarCap Global Aggregate Index Hedged \$A	1.35	2.01	4.86	10.16	8.42	7.04	8.16

Data source: IRESS, Perpetual Funds Management, Morningstar. Returns greater than one year are annualised.

S&P/ASX 200 Stock Performance for the Month of January 2010

Best Performers		Worst Performers	
Macquarie Infrastructure Group	(+9.73%)	Karoon Gas Australia Limited	(-32.14%)
Flight Centre Ltd	(+7.87%)	Aquila Resources	(-23.22%)
SMS Management & Technology Ltd	(+6.24%)	Energy World Corporation Ltd	(-22.78%)
Ramsay Health Care Ltd	(+5.33%)	Panoramic Resources Limited	(-21.03%)
GUD Hldgs Ltd	(+3.78%)	WorleyParsons Ltd	(-18.88%)

Data source: IRESS: S&P/ASX200 top performers

Australian Equities

The Australian share market fell in January, after rising in December, with the S&P/ASX 300 Accumulation Index falling 6.17%. The S&P/ASX Small Ordinaries Accumulation Index underperformed the large cap market, falling 7.43%. However, small caps have continued to outperform the large cap market over the 12 months to January 2010, registering 52.85% compared to 35.67% for the large cap sector.

Global Equities

Global equities fell in the first month of 2010. The MSCI World Accumulation Index was 2.98% lower in AUD terms. This was also reflected in the S&P 500 Composite Accumulation Index (A\$) and the FTSE100 Accumulation Index (A\$), which fell 2.46% and 3.71% respectively for the month.

Emerging markets were also in negative territory, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 4.45% in January. The Index has risen 29.25% over the past 12 months, slightly underperforming the local equity market.

Regional markets were generally negative in January. In Japan, the Nikkei was weaker, falling 3.30%, while in Europe the German DAX Index fell 5.85% and the France CAC40 Index was down 5.00% in local currency terms.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 2.98% for the month, outperforming the broader equity market. The weakness in the Australian share market coupled with investors' risk aversion weighed down on the sector. Overall, the S&P/ASX 300 A-REIT Accumulation Index has risen 17.59% in the 12 months to December underperforming the broader market by nearly 20%.

The UBS Global Real Estate Investors Index was lower in January, falling 3.96% in AUD terms. Over the 12 months to January 2010, the UBS Global Real Estate Investors Index was up 41.33% in AUD terms.

Fixed Interest

The Australian bond market was slightly stronger in January with encouraging economic data such as the strength of the labour market and rising consumer sentiment contributing to the result. The UBS Warburg Composite Bond Index rose 1.35% in January while the UBS Warburg Bank Bill Index rose 0.35%. Over 12 months, the bond and cash markets returned 1.67% and 3.42% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 1.35% in January and has returned 10.16% for the year to the end of January 2010.

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