Economic News

Economic indicators released in July were mixed. According to the Australian Bureau of Statistics (ABS), the unemployment rate reached 5.8% in June, the highest unemployment rate since October 2003. The total number employed decreased by 21,400, with full time employment decreasing by 21,900. The ANZ job ads survey stated that the average number of job advertisements in June fell by 1.7%, contributing to a 51.9% decline for the financial year 2008/09.

The Retail Sales figures fell 1.4% in June, seasonally adjusted. All industries recorded decreases except for household goods retailing (+2.9%). Notable falls were recorded in department stores (-8.8%) and clothing and soft good retailing (-7.4%).

June Building Approvals figures, seasonally adjusted, showed total dwelling unit approvals rose 9.3%, following a fall last month. Private sector housing approvals also rose 4.9% for the month.

On 4 August the Reserve Bank of Australia (RBA) Board announced that the official cash rate would remain unchanged at 3.00%, a 49-year low. The RBA statement observed that the world economy and global financial markets are stabilising after sharp contractions during previous quarters. There is also evidence that the US economy may soon reach a turning point. Economic conditions in Australia have been stronger than first forecast, with consumer spending and exports especially strong. Inflation is moderating and is expected to ease over the coming year Whilst housing credit is strong, business lending remains weak. The RBA Board believes that the present setting of monetary policy is appropriate and it will continue to monitor economic and financial conditions.

Economic indicators in the US were also mixed. According to the US Commerce Department; US Retail sales rose 0.6% during June, the biggest gain since January. Sales of automobiles and parts rose 2.3%, whilst sales at electronics, grocery and sporting-goods stores also improved.

The US unemployment rate has fallen to 9.4% in July, the first decline since April 2008, following job losses of 247,000. The US economy has lost 6.7 million jobs since December 2007.

US headline inflation rose 0.7% for June, the largest increase since July 2008. However, it has fallen 1.4% for the last 12 months, seasonally adjusted. Prices were partly driven higher by the 7.4% rise in energy prices. Core inflation (less food and energy) was higher, up 0.2% for June and up 1.7% for the year.

The Australian Dollar (AUD) appreciated slightly during July, rising 2.06% against the US dollar and finishing the month at US$0.8281. During the month the AUD reached a high of US$0.8330, the highest level since September 2008. The AUD was also up against the Japanese Yen, 1.53%, the Euro, 1.93%, and against the British Pound, 2.77%.

Market moves — as at 31 July 2009

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	7.34	13.22	23.43	-10.28	-1.01	8.26	8.03
S&P/ASX Small Ordinaries Accumulation Index	9.02	20.71	40.89	-17.62	-3.51	6.37	5.68
Global Equities							
MSCI World Acc Index with Gross Div (A$)	5.51	4.27	-2.90	-10.70	-7.68	-0.57	-1.89
S&P 500 Composite Accumulation Index (A$)	4.60	0.58	-7.31	-9.45	-8.67	-3.50	-3.55
FTSE100 Accumulation Index (A$)	6.29	8.53	0.34	-15.59	-10.56	-0.70	-1.90
MSCI Emerging Markets Free W/Gross Div (A$)	8.25	13.71	23.94	-5.61	3.64	14.02	7.86
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	2.36	11.92	-0.17	-37.67	-23.13	-8.71	2.04
UBS Global Real Estate Investors Index (A$)	8.90	12.28	17.13	-33.35	-16.43	-0.85	7.21
Fixed Interest							
UBS Warburg Composite Bond Index	0.31	-1.02	-2.12	9.22	6.45	6.03	6.16
UBS Warburg Bank Bill Index	0.27	0.79	1.61	5.05	6.33	6.08	5.71
BarCap Global Aggregate Index Hedged $A	1.55	3.09	5.06	10.32	7.96	7.32	7.72

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

S&P/ASX 200 Stock Performance for the Month of July 2009

Best Performers		Worst Performers	
Mincor Resources	(+41.94%)	Carnarvon Petroleum Limited	(-17.18%)
Pacific Brands Ltd	(+39.18%)	Hastings Diversified Utilities Fund	(-16.54%)
West Australian Newspapers Ltd	(+38.30%)	St Barbara Limited	(-15.22%)
Goodman Group	(+37.84%)	Transpacific Industries Group	(-14.58%)
Eastern Star Gas Limited	(+36.25%)	Tower Australia Ltd	(-11.43%)

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

Australian Equities

The Australian share market rose for a fifth consecutive month in July, with the S&P/ASX 300 Accumulation Index rising 7.34%. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market, rising 9.02%. However, Small Caps continue to underperform the large cap market over the longer term, registering -17.62% compared to -10.28% for the 12 months to July 2009.

Global Equities

Global equities had strong results in July with the Australian dollar only slightly stronger for the month. The MSCI World Accumulation Index was 5.51% higher in AUD terms. This was also reflected in the S&P 500 Composite Accumulation Index (A$) and the FTSE100 Accumulation Index (A$), which rose 4.60% and 6.29%, respectively for the month.

Emerging markets were also stronger over the month, with the MSCI Emerging Markets Free W/Gross Div (A$) rising 8.25% in July. The Index has fallen -5.61% over the past year, outperforming the local equity market.

Regional markets were up during July. In Japan, the Nikkei ended the month 4.00% higher, while Hong Kong's Hang Seng Index rose 11.94% in local currency terms.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 2.36% over the month, underperforming the boarder equity market. Recent improvements in the small cap market have contributed to investors' risk appetite increasing significantly during the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 37.67% over the 12 months to July 2009.

The UBS Global Real Estate Investors Index was stronger in July, rising 8.90% in AUD terms. Over the 12 months to July 2009, the UBS Global Real Estate Investors Index was down 33.35% in AUD terms.

Fixed Interest

The Australian bond market was slightly stronger in July, after the RBA left official interest rates unchanged, but stated that the economic outlook was improving. The UBS Warburg Composite Bond Index rose 0.31% for July while the UBS Warburg Bank Bill Index rose 0.27% in July. Over 12 months, the bond and cash markets returned 9.22% and 5.05% respectively.

The BarCap Global Aggregate Index Hedged $A rose 1.55% in July and has returned 10.32% for the year to the end of July 2009.