

Economic News

Economic indicators released in October were mixed. According to the Australian Bureau of Statistics (ABS), the unemployment rate has remained steady at 5.8% in September, the highest level since October 2003.

Retail Sales figures fell 0.2% in September, 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 (+1.0%) and food retailing (+0.4%).

September Building Approvals figures, seasonally adjusted, showed total dwelling unit approvals rose 2.7%, following a fall last month. Private sector housing approvals rose 0.3% for the month, the ninth consecutive monthly rise.

Inflation was higher in the September quarter as the ABS reported the Consumer Price Index (CPI) rose 1.0% and 1.3% for the year. Contributing to the quarterly rise were electricity (+11.4%) and water and sewerage (+14.1%), while falls were recorded in vegetables (-5.6%) and fruit (-5.4%). Core inflation (less food and energy) was 0.8% for the quarter and 3.2% for the 12 months to September.

On 3 November the Reserve Bank of Australia (RBA) Board announced that it would raise the official cash rate by 0.25% to 3.50%. The RBA statement observed that the world economy had resumed growth and the global financial markets continued to improve. Whilst spending from policy initiatives has started to diminish, private

investment appears to be stronger than expected.

Inflation has declined and should continue to moderate in the near term. The RBA Board believes that the basis for such low rates has passed and it is prudent to gradually lessen the stimulus provided by monetary policy.

Economic indicators in the US were mixed. According to the US Commerce Department; US retail sales fell 1.5% during September. Motor vehicles and parts sales were a significant detractor, falling 11.8%, with the expiration of the Government 'cash for clunkers' programme.

Excluding car and parts sales all other retail sales increased 0.5%.

The US unemployment rate rose to 10.2% in October, the highest level since June 1983. During the month the US economy lost 190,000 jobs and since December 2007, 8.2 million jobs have been lost. The largest job losses were in construction and manufacturing, whilst education and professional and business services sectors added positions.

US headline inflation was higher for September, rising 0.2%, with a 0.6% increase in energy prices and 0.1% fall in food prices, reflecting lower costs of meat and vegetables. Over 12 months, headline prices have fallen 1.3%. Core inflation (less food and energy) was 0.2% in September, and 1.5% over the last 12 months.

The Australian Dollar (AUD) appreciated strongly during October, rising 4.09% against the US dollar and finishing the month at US\$0.9161. The AUD was up 5.92% against the Japanese Yen, 2.56% against the Euro, and 0.84% against the British Pound.

Market moves — as at 31 October 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	-2.07	10.97	25.64	21.98	-0.60	8.76	9.48
S&P/ASX Small Ordinaries Accumulation Index	-1.18	10.41	33.28	39.65	-4.19	5.97	6.52
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	-4.05	-2.06	2.12	-12.96	-10.27	-0.66	-2.71
S&P 500 Composite Accumulation Index (A\$)	-4.14	-2.96	-2.40	-19.83	-11.70	-3.42	-4.35
FTSE100 Accumulation Index (A\$)	-1.02	0.99	9.60	-10.31	-11.85	-0.49	-2.28
MSCI Emerging Markets Free W/Gross Div (A\$)	-2.20	0.17	13.91	20.20	1.29	12.78	7.66
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	-8.98	16.30	30.17	-6.11	-21.41	-6.79	3.79
UBS Global Real Estate Investors Index (A\$)	-3.56	15.88	30.11	8.65	-15.26	0.09	9.47
Fixed Interest							
UBS Warburg Composite Bond Index	-0.08	1.37	0.33	4.89	6.33	5.72	6.32
UBS Warburg Bank Bill Index	0.26	0.79	1.59	3.83	6.07	5.97	5.66
BarCap Global Aggregate Index Hedged \$A	0.46	2.79	5.97	13.41	7.91	7.14	7.93

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

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

Best Performers		Worst Performers	
Macquarie Media Group (stapled)	(+19.58%)	Babcock & Brown Infrastructure Group	(-30.19%)
Virgin Blue Hldgs Ltd	(+17.44%)	Lynas Corporation Limited	(-28.15%)
Energy World Corporation Ltd	(+16.67%)	Elders Ltd	(-22.92%)
Flight Centre Ltd	(+13.71%)	PaperlinX Ltd	(-18.52%)
St Barbara Limited	(+12.96%)	Crane Group Ltd	(-17.59%)

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

Australian Equities

The Australian share market fell for the first time in eight months in October, with the S&P/ASX 300 Accumulation Index falling 2.07%. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market, falling 1.18%. Small caps have also outperformed the large cap market over the 12 months to October 2009, registering 39.65% compared to 21.98% for the large cap sector.

Global Equities

Global equities had weak results in October with the Australian dollar stronger for the month. The MSCI World Accumulation Index was 4.05% 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 4.14% and 1.02%, respectively for the month.

Emerging markets were weaker over the month, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 2.20% in October. The Index has risen 20.20% over the past year, underperforming the local equity market.

Regional markets were mixed during October. In Japan, the Nikkei ended the month 0.97% lower, while Hong Kong's Hang Seng Index rose 3.81% in local currency terms.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 8.98% over the month, underperforming the broader equity market. Recent profit taking after two record breaking months of returns, and remaining global economic jitters have contributed to the fall. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 6.11% over the 12 months to October 2009.

The UBS Global Real Estate Investors Index was weaker in October, falling 3.56% in AUD terms. Over the 12 months to October 2009, the UBS Global Real Estate Investors Index was up 8.65% in AUD terms.

Fixed Interest

The Australian bond market was mixed during the month of October, after a sharp rally in US Government bonds, and a flight to quality given the jittery global equity markets at the end of October. The UBS Warburg Composite Bond Index fell 0.08% for October while the UBS Warburg Bank Bill Index rose 0.26% in October. Over 12 months, the bond and cash markets returned 4.89% and 3.83% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.46% in October and has returned 13.41% for the year to the end of October 2009.

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