

February 2009

## Economic News

Economic indicators released in February were poor. The Australian Bureau of Statistics (ABS) announced that unemployment reached its highest level since June 2006, increasing 0.30% to 4.80%, as 36,800 people were added to the unemployment figures.

The January Retail Sales figures were surprisingly resilient; increasing 0.20%, seasonally adjusted. Significant contributors were food (+1.50%), and clothing and soft good retailing (+0.80%), while household goods retailing (-4.00%) and department stores (-0.50%) detracted. The Federal Government's \$10.4 billion stimulus package released in early December and falling interest rates contributed to the rise in spending.

The economy dropped sharply in the December quarter. The ABS reported that Gross Domestic Product (GDP) contracted by 0.50%, seasonally adjusted, and that Non-farm GDP decreased by 0.80%. The main contributors to the fall were manufacturing (-0.50%), and property and business services (-0.30%). Positive contributors were agriculture, forestry and fishing (0.20%).

The December Building Approvals figures, seasonally adjusted, showed total dwelling unit approvals fell 2.90%; while private sector housing approvals fell 2.30% for the month.

On 3 March the Reserve Bank of Australia (RBA) Board announced that it would leave the official cash unchanged at 3.25%. The RBA statement observed that

while the world economy remained weak and although global credit markets have improved, sentiment remains fragile. Demand in Australia has weakened, but is stronger than other countries, and the economy is yet to experience the large contractions witnessed overseas. With the recent major changes in both monetary and fiscal policy, and market and mortgage rates are at historical lows, the RBA considers the current monetary policy as appropriate.

Economic indicators in the US remain poor. The US Labour Department reported that the unemployment rate has risen sharply in January to 7.60%, the highest level since 1992. US employers shed 598,000 jobs in January. This brings total job losses since December 2007 to 3.6 million.

US Retail sales rose 1.00% during January, the Commerce Department said. Aggressive discounting by retailers is thought to have contributed.

US headline inflation rose 0.30% in January, seasonally adjusted, but was unchanged compared to one year ago. This is the lowest rate of change since August 1955 and far below the Federal Reserve target of 2.00%. Core inflation (less food and energy) was higher, up 0.20% for January and up 1.70% for the last 12 months.

The Australian Dollar (AUD) rose 0.25% against the US dollar in December, ending the month at US\$0.6454. The AUD was also up against the Japanese Yen (9.49%) and the Euro (1.48%), but down against the British Pound (-0.38%).

Market moves — as at 28 February 2009							
Returns (%) p.a	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
<b>Australian Equities</b>							
S&P/ASX 300 Accumulation Index	-4.56	-9.30	-33.32	-37.26	-8.32	4.21	6.13
S&P/ASX Small Ordinaries Accumulation Index	-6.70	-7.35	-46.49	-53.14	-14.84	-0.56	2.10
<b>Global Equities</b>							
MSCI World Acc Index with Gross Div (A\$)	-10.58	-13.70	-23.67	-22.05	-10.35	-0.85	-2.35
S&P 500 Composite Accumulation Index (A\$)	-11.06	-15.71	-21.57	-17.01	-10.73	-3.04	-3.71
FTSE100 Accumulation Index (A\$)	-8.46	-14.61	-26.97	-28.43	-11.13	-1.04	-2.98
<b>REITS (Listed Property Securities)</b>							
S&P/ASX 300 A-REIT Accumulation Index	-16.37	-32.27	-52.52	-58.24	-25.97	-9.74	0.39
UBS Global Real Estate Investors Index (A\$)	-15.96	-19.98	-53.38	-55.22	-23.55	-6.67	4.44
<b>Fixed Interest</b>							
UBS Warburg Composite Bond Index	-1.23	1.41	7.88	14.45	6.84	6.59	6.28
UBS Warburg Bank Bill Index	0.29	1.12	3.00	7.12	6.71	6.30	5.78
BarCap Global Aggregate Index Hedged \$A	0.21	2.12	3.70	6.20	6.45	6.57	7.16

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

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

Best Performers		Worst Performers	
Emeco Holdings Ltd	(+76.47%)	Goodman Group	(-63.64%)
Paperlinx Limited	(+56.82%)	AWB Limited	(-60.14%)
Fortescue Metals Group Ltd	(+49.72%)	Asciano Group	(-60.09%)
NRW Holdings Limited	(+43.59%)	Tishman Speyer Office Fund	(-55.88%)
Gloucester Coal Limited	(+39.49%)	Alesco Corporation Limited	(-54.23%)

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

### Australian Equities

The S&P/ASX 300 Accumulation Index fell 4.56% in February. This continues a disappointing run with the Index falling 37.26% in the last 12 months. Worries about the local and overseas economies combined with local companies announcing weaker future earnings contributed to the falls. The S&P/ASX Small Ordinaries Accumulation Index underperformed the large cap market, falling 6.70% for the month. Smaller companies also continue to underperform the large cap market over the longer term, plunging 53.14% over the last 12 months.

### Global Equities

Global equities were uniformly weaker in February. The MSCI World Accumulation Index was 10.58% lower in AUD terms. This was also reflected in the S&P 500 Composite Accumulation Index and the FTSE100 Accumulation Index (A\$) which fell 11.06% and 8.46% respectively for the month in AUD terms.

Regional markets were down during February. In Japan, the Nikkei ended the month 5.32% lower, while Hong Kong's Hang Seng Index fell 3.51% in local currency terms.

European markets were also weaker with the German DAX, UK FTSE100 and the French CAC falling 11.40%, 9.13% and 7.70% for the month in local currency terms.

### REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 16.37% over the month, underperforming the broader equity market. Downgraded profits during reporting season, refinancing concerns and a weaker economic outlook contributed to the falls. Overall, the S&P/ASX 300 A-REIT Accumulation Index fell 58.24% for the last 12 months.

The UBS Global Real Estate Investors Index was weaker in February, falling 15.96% in AUD terms and underperforming the local index. Over 12 months the UBS Global Real Estate Investors Index was down 55.22% in AUD terms.

### Fixed Interest

The Australian bond market was mixed in February, with concerns over the smaller than expected official interest rate cut by the RBA in February. The UBS Warburg Composite Bond Index fell 1.23% for February while the UBS Warburg Bank Bill Index returned 0.29% for the month. Over 12 months, the bond and cash markets returned 14.45% and 7.12% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.21% in February and has returned 6.20% over the past 12 months.

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