

November 2008

## Economic News

Economic indicators released in November were mixed. The October Retail Sales figures released by the Australian Bureau of Statistics (ABS) were surprisingly strong; with retail sales increasing 0.70% in October, seasonally adjusted. Significant contributors were food (+0.60%) and other retailing (+0.80%), while household goods retailing (-0.70%) and cafes, restaurants and takeaway food services (-0.60%) detracted from the growth.

Labour force figures for October were steady with employment increasing by 34,300. The unemployment rate unchanged at 4.30%.

The economy slowed sharply in the September quarter. The ABS reported that Gross Domestic Product (GDP) grew by 0.10%, seasonally adjusted, and that Non-farm GDP decreased by 0.30%. By industry, agriculture, fishing and forestry added 0.3 percentage points to GDP, while construction contributed 0.1 percentage points. Property, finance and insurance services detracted from GDP by 0.1 percentage point.

On 2 December the Reserve Bank of Australia (RBA) Board announced the official cash rate would be cut by 100 basis points to 4.25%. The RBA statement observed that while recent actions by overseas governments and central banks have begun to stabilise foreign economies, financial market sentiment remains fragile, as evidenced by accumulating weak economic

data. The RBA noted that while Australia has been more resilient, recent data indicates that demand is moderating. The RBA believes that as private demand remained subdued, and capacity pressures eased, inflation should fall and it is appropriate to take monetary policy to an expansionary setting.

Economic indicators in the US remain poor. The US Labour Department reported that the unemployment rate has risen sharply in October to 6.50%, the highest since March 1994. Non farm payrolls fell 240,000 in October, the 10th-straight decline, pushing total job losses for the year to 1.2 million. A separate report stated new claims for unemployment benefits in the week to November 22 rose 14,000 to 529,000, a 16-year high.

US Consumer spending was also weaker, according to the US Commerce Department, falling 1.00% in October, the steepest fall since September 2001.

US headline inflation for October fell by 1.00%, while core inflation (less food and energy) fell 0.10% for the month. A drop in the price of oil contributed to the fall in inflation. In October, US fuel prices dropped 14.20%, and, during November, oil closed at \$54.43 a barrel, up from a low of \$48.25 on 21 November.

The Australian dollar (AUD) was weaker in November, falling 1.62% against the US dollar, ending the month at US\$0.6572. The AUD was also down 4.11% against the Japanese yen, and 2.53% against the Euro. However, the AUD was 4.07% stronger against the British pound.

### Market moves — as at 30 November 2008

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	-6.30	-26.48	-32.62	-40.45	-3.01	7.54	7.56
S&P/ASX Small Ordinaries Accumulation Index	-9.61	-42.24	-50.65	-56.11	-10.52	2.03	3.69
<b>Global Equities</b>							
MSCI World Acc Index with Gross Div (A\$)	-5.18	-11.55	-13.23	-22.51	-3.90	2.73	-0.39
S&P 500 Composite Accumulation Index (A\$)	-5.95	-6.96	-5.12	-15.92	-4.69	0.71	-1.28
FTSE100 Accumulation Index (A\$)	-5.11	-14.48	-17.72	-29.52	-3.86	3.17	-0.86
<b>REITS (Listed Property)</b>							
S&P/ASX 300 A-REIT Accumulation Index	-0.15	-29.90	-35.00	-53.44	-13.60	-1.18	3.92
UBS Global Real Estate Investors Index (A\$)	-15.93	-41.74	-46.28	-49.33	-14.78	-0.60	6.47
<b>Fixed Interest</b>							
UBS Warburg Composite Bond Index	2.96	6.38	10.94	13.35	6.93	6.89	6.06
UBS Warburg Bank Bill Index	0.54	1.86	3.87	7.79	6.80	6.34	5.79
BarCap Global Aggregate Index Hedged \$A	3.05	1.55	4.36	6.87	6.18	6.88	6.95

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

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## S&P/ASX 300 Stock Performance for the Month of November

Best Performers		Worst Performers	
Bannerman Resources Limited	(+107.14%)	Babcock & Brown Limited	(-80.54%)
Marion Energy Limited	(+52.78%)	Timbercorp Limited	(-65.69%)
Mirvac Group	(+42.71%)	HFA Holdings Limited	(-65.00%)
Apex Minerals NL	(+36.00%)	Galileo Japan Trust	(-64.71%)
AWB Limited	(+30.15%)	Babcock & Brown Infrastructure Group	(-60.53%)

Data source: IRESS: S&P/ASX300 top performers

### Australian Equities

The S&P/ASX 300 Accumulation Index fell 6.30% in November, despite strong gains in the final week. This continues a dismal run with the Index falling 40.45% in the last 12 months. Effects of the credit crisis on markets and local companies announcing weaker future earnings contributed to the falls. The S&P/ASX Small Ordinaries Accumulation Index underperformed the large cap market, falling 9.61% for the month. Smaller companies have also underperformed the large cap market for the last 12 months, falling 56.11% for the period.

### Global Equities

Global equities were uniformly weaker in November. The MSCI World Accumulation Index was 5.18% lower in AUD terms. This was also reflected in the S&P 500 Composite Accumulation Index and the FTSE100 Accumulation Index (A\$) which fell 5.95% and 5.11% respectively for the month in AUD terms.

Regional markets were slightly down during November. In Japan, the Nikkei ended the month 0.75% lower, while Hong Kong's Hang Seng index fell 0.58% in local currency terms.

European markets were also sharply lower with the German DAX, the French CAC and the UK FTSE100 falling 6.39%, 6.43% and 2.04% respectively in local currency terms.

### REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 0.15% over the month, outperforming the broader equity market. Overall, the S&P/ASX 300 A-REIT Accumulation Index was down 53.44% over the year to the end of November.

The UBS Global Real Estate Investors Index was weaker in November, falling 15.93% in AUD terms and underperforming the local index. Over 12 months the UBS Global Real Estate Investors Index was down 49.33% in AUD terms.

### Fixed Interest

The Australian bond market was stronger in November, with the RBA official interest rate cut contributing to the rise. The UBS Warburg Composite Bond Index rose 2.96% for November while the UBS Warburg Bank Bill Index returned 0.54% for the month. Over 12 months, the bond and cash markets returned 13.35% and 7.79% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 3.05% in November, and has returned 6.87% over the past 12 months.

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