

# Market Update

## April 2012

- The US continues to gradually improve
- Europe increases the bailout fund
- Australia's unemployment ticks back up to 5.2%

## What's inside?

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## Big movers this month

↑ Info Tech up 13.3%

↓ Materials down -4.0%

## March market performance

Equity Markets – Price Indices		At Close 31/03/2012	% Change 1 Month	% Change 12 Months
Australia	All Ordinaries	4419.97	0.73%	-10.32%
Japan	Nikkei	10083.56	3.71%	3.37%
Hong Kong	Hang Seng	20555.58	-5.19%	-12.63%
UK	FTSE 100	5768.45	-1.76%	-2.37%
Germany	DAX	6946.83	1.32%	-1.34%
US	Dow Jones	13212.04	2.01%	7.24%
EMU*	Euro 100	2208.91	-1.09%	-5.25%
World**	MSCI – Ex Aus (Gross)	923.13	1.52%	-0.42%

  

Property – Price Index		At Close 31/03/2012	% Change 1 Month	% Change 12 Months
Listed Trusts	S&P/ASX 300 A-REITS	809.69	-0.71%	-4.64%

  

Interest Rates		At Close 31/03/2012	At Close 29/02/2012	At Close 31/03/2011
Aust 90 day Bank Bills		4.34%	4.48%	4.93%
Australian 10 year Bonds		4.08%	4.08%	5.50%
US 90 day T Bill		0.07%	0.08%	0.09%
US 10 year Bonds		2.21%	1.98%	3.47%

  

Currency***		At Close 31/03/2012	% Change 1 Month	% Change 12 Months
US dollar	A\$/US\$	1.04	-3.51%	0.27%
British pound	A\$/STG	0.65	-4.05%	0.43%
Euro	A\$/euro	0.78	-3.61%	6.42%
Japanese yen	A\$/yen	85.76	-1.54%	-0.13%
Trade-weighted Index		76.90	-2.90%	0.79%

\* Top 100 European stocks trading on the FTSE \*\* Price Index – Source: www.msci.com

\*\*\* All foreign exchange rates rounded to two decimal places

Source: Iress Market Technology.

Past performance is not a reliable indicator of future performance.

## Global economies

It was good to note that economic news was generally positive over the course of March with markets topping off a positive quarter.

## US Economy

The US economy continues to show improvement. Growth momentum seemed to broaden as economic data released throughout the month continued to support a recovery.

Retail sales for February met expectations showing 1.1% growth with both the December and January results having upward revisions.

With the US consumer historically playing a material role in US economic growth, positive US retail sales indicate that consumer spending is on track

to make a good contribution to overall growth for the March quarter.

Further positive data also came from other readings for small business and manufacturing.

There was mixed data on the job front with weekly jobless claims continuing to indicate further declines in the US unemployment rate. On the other hand, Non-farm payrolls released in early April were soft, helping push most major indices lower in a week long decline.

Moving to monetary policy, the Federal Reserve (Fed) reiterated that it continues to expect rates to be kept exceptionally low until the end of 2014.

The Fed retained its outlook for gradual improvement in the economy which is essentially what has happened over recent months.

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Backing this up was the Fed's Beige Book released in April. Initial readings highlighted that the economy was expanding at a modest to moderate pace. Interestingly, hiring was steady or showed modest increases but difficulty finding suitable highly skilled workers was also reported.

## Europe

Unfortunately, while US data has been generally positive, Europe, in contrast, has been somewhat disappointing.

March manufacturing data for the Eurozone was lower than the level seen in February with March numbers falling below expectations.

But it was the detail in the manufacturing data which caused concern for markets. While some of the non-core countries were weak, some core countries such as France and Germany were either flat or at levels that indicate contraction.

In a move that has been a topic for discussion for some time, late in the month the European Union Finance Ministers agreed to effectively raise the limit on the bailout fund to €700 billion from the current €500 billion.

This move is designed to prevent instability on Europe's periphery spreading to the broader region and 'healthier' economies.

While steps have been taken to stabilise the region, social unrest, as was seen in Greece as a result of austerity measures, is also of some concern.

In Spain, there was a general strike late in March in protest to austerity measures which means that the economy will remain under scrutiny by the markets.

Currently, Spain's unemployment is running at 23%.

The news isn't much better in the UK, with the economy contracting more sharply than expected in the fourth quarter with Gross Domestic Product (GDP) growth revised lower.

The Office for Budget Responsibility has also warned that the Diamond Jubilee public holiday will weigh on second quarter GDP before the Olympic Games provides a small boost to the economy.

Both the European Central Bank and the Bank of England have left rates unchanged at their most recent meetings.

## Australia

At home, starting with the February NAB Business Survey results released in March, the Business Conditions Index rose slightly with the outcome consistent with GDP (ex-coal) growth of around 3.25% in early 2012.

However, there are signs of deterioration in activity ahead with the survey highlighting the multi-speed nature of the economy across industry sectors.

Consumer sentiment, as measured by the Westpac-Melbourne Institute Consumer Sentiment Survey, was lower in March.

Moving to monetary policy, the Reserve Bank of Australia (RBA) has continued to keep rates on hold at its April Board meeting.

With recent economic data being less than impressive, inflation data released in late April will seemingly provide a good indication as to whether the RBA will cut rates or leave them on hold.

On the employment front, the unemployment rate has since ticked up to 5.2% from 5.1% in January but a better than expected report for March emphasises the importance of the inflation data for the RBA's rate decision.

## Equity markets

Major global indices closed the month of March mixed with the best and worst performing indices geographically found in Asia.

## Australian equities

	Index/Benchmark	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 Acc.	-6.27%	11.35%	-2.10%	5.23%
	S&P/ASX 50 Acc.	-5.76%	10.63%	-1.34%	5.54%
	S&P/ASX Small Ordinaries Acc.	-8.57%	17.93%	-3.85%	4.69%

In Australia, the All Ordinaries Index was 0.7% higher over the course of March and is 7.5% higher from where the Index began the calendar year. At the sector level, Info Tech, Health Care and Utilities all provided investors with strong returns with Energy, Materials and Property creating the headwinds for investors.

Over the year to 31 March, the All Ordinaries Index remains well into negative territory. However, over a five and seven year period, the index remains relatively one of the better performers.

Sector	1 Mth	3 Mths	1 Yr
Energy	-2.1%	12.7%	-15.5%
Materials	-4.0%	6.0%	-21.0%
Industrial	1.7%	15.4%	4.6%
Consumer Discretionary	1.8%	13.4%	-8.4%
Consumer Staples	4.2%	6.5%	3.7%
Health Care	7.4%	11.7%	1.3%
Financials	4.8%	8.5%	-1.8%
Info Tech	13.3%	16.4%	-5.1%
Telcos	0.4%	4.0%	28.2%
Utilities	5.8%	8.0%	20.9%
Property	-0.6%	7.1%	1.7%

### Australian dollar (AUD)

Despite having a strong first few days in March, the AUD moved lower across March. The main drivers for this throughout the month included the European sovereign debt crisis, expectations of a third round of Quantitative Easing by the US Fed, and concerns for China's economic growth.

The dollar hit slightly above US\$1.08 in the first few days to eventually close the month out at US\$1.035.

### Global equities

	Index/Benchmark	1 Yr	3 Yrs	5 Yrs	7 Yrs
Global	MSCI World Ex Aus Acc. (\$A)	0.69%	5.07%	-5.63%	-0.41%
	MSCI World Index Hedged (\$A)	2.20%	17.79%	-2.37%	2.81%
	MSCI World Small Cap (\$A)	-2.99%	12.02%	-4.00%	1.61%
Emerging	MSCI Emerging Mkts Free	-8.96%	9.48%	-0.41%	7.59%
	MSCI AC Far East Free (ex Japan)	-5.62%	8.97%	0.19%	6.37%

The US, as measured by the Dow Jones Industrial Average, continues to be a solid performer on a month to month basis with the Index being by far the best performer over the last 12 months.

Germany's DAX also had another relatively strong month gaining 1.3% with other major indices in the region closing in negative territory.

Asian majors saw mixed returns with Hong Kong's Hang Seng providing the largest negative returns of the global majors and Japan's Nikkei providing the highest positive returns. Over the quarter to 31 March, Japan has returned over 19% with the next best performing major being Germany returning 17.8%.

### Property

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 A-REIT Acc	1.67%	14.78%	-13.62%	-4.34%
Global	UBS Global Investors Index	4.35%	17.42%	-9.19%	N/A

Global property, as measured by the UBS Global Investors Index, outperformed Australian listed property in March. Global property returned 7.4% in March with the S&P/ASX 300 A-REIT Accumulation Index, returning -0.6%.

Over longer timeframes, global listed property continues to outperform Australian listed property.

### Fixed Interest

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	UBS Composite 0 + Years	10.00%	6.49%	7.27%	6.68%
	Australian 90 Day Bank Bill	4.73%	4.41%	5.22%	5.42%
Global	BarCap Global Aggregate Index	5.07%	-5.88%	1.22%	1.79%
	BarCap Global Ag. Index Hedged	11.90%	9.84%	8.90%	7.69%

Australian bonds, as measured by the UBS Composite Bond All Maturities Index, closed out the month of March 0.9% higher. The weakening of the Australian Dollar helped unhedged global bonds. Unhedged global bonds, as measured by the BarCap Global Aggregate Index, gained 3.5% with its unhedged counterpart gaining just 0.2%.

Over the one, three, five and seven year periods, hedged global bonds continue to provide the highest returns to investors with Australian bonds also performing strongly.