

**January 2009**

### Australian economy

The deteriorating global outlook coupled with the release of very weak domestic data is placing additional downside risk to Australian economic growth. As a result of very weak data coming out of China and Japan and the recent NAB Business Survey, nab Capital (NAB) has substantially downgraded its outlook for the Australian economy over the coming year. NAB is not forecasting a recession (commonly regarded as two successive quarters of negative GDP), but has cut its fourth quarter GDP forecast to -0.2%.

### Australian shares

In terms of returns, December was a relatively uneventful month in the Australian market. The All Ordinaries Price Index was down -0.4% for December with the 2008 calendar year return at -43.0%; its worst calendar year return in recorded history.

While no one can pick the market bottom it is important to remember that markets have often rallied significantly following severe bear markets.

### Global economy

Global economic data released in December continues to point to further weakness in global economies. US housing starts fell by 18.9% in November while Chinese industrial production data showed the weakest growth since 1999 and Japan's business survey showed sentiment among businesses has deteriorated sharply.

### International shares

December was a fairly reasonable month for international shares with many markets ending in positive territory. The positive performance in overseas markets and relatively subdued movement in the US eventuated despite a raft of downbeat data from around the world.

The US and UK sharemarkets, while still down, surprisingly performed better than most other global markets with 2008 calendar year returns of -33.8% and -31.3% respectively. The Hang Seng clawed back some of its losses in December but was still the worst performer over the 2008 calendar year at -48.3%.

### December market performance

<b>Equity Markets – Price Indices</b>		At Close	% Change	% Change
Index	31/12/08	1 Month	12 Months	
Australia	All Ordinaries	3659.29	-0.4%	-43.0%
Japan	Nikkei	8859.56	4.1%	-42.1%
Hong Kong	Hang Seng	14387.48	3.6%	-48.3%
UK	FTSE 100	4434.17	3.4%	-31.3%
Germany	DAX	4810.20	3.0%	-40.4%
US	Dow Jones	8776.39	-0.6%	-33.8%
EMU*	Euro 100	1798.68	-3.7%	-43.2%
World**	MSCI - Ex Aus	677.34	0.9%	-40.1%

  

<b>Property – Price Index</b>		At Close	% Change	% Change
Index	31/12/08	1 Month	12 Months	
Listed Trusts	ASX LPT	899.54	-12.3%	-57.4%

  

<b>Interest Rates</b>		At Close	% Change	% Change
	31/12/08	1 Month	12 Months	
Aust 90 day Bank Bills	4.15	-0.57	-3.09	
Australian 10 year Bonds	3.99	-0.60	-2.34	
US 90 day T Bill	0.12	0.10	-3.12	
US 10 year Bonds	2.21	-0.70	-1.82	

  

<b>Currency</b>		At Close	% Change	% Change
	31/12/08	1 Month	12 Months	
US dollar	A\$/US\$	0.7027	7.4%	-19.7%
British pound	A\$/STG	0.4800	12.7%	8.9%
Euro***	A\$/euro	0.5028	-2.5%	-16.2%
Japanese yen	A\$/yen	63.71	1.9%	-34.8%
Trade-weighted Index		55.60	2.0%	-19.1%

\* Top 100 European stocks trading on the FTSE

\*\* Source : www.msci.com

\*\*\* The euro was launched by European Monetary Union members on 1/1/99.

Source : Iress Market Technology

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