

**February 2009**

### Australian economy

In early February, the Federal Government announced an economic stimulus package of \$42 billion. \$28.8 billion of spending will be on schools, housing, energy efficiency in homes, community infrastructure and roads, and support to small businesses. The remainder will be in the form of one-off bonuses.

Australian GDP forecasts have been cut in light of global developments, despite aggressive monetary and fiscal policy responses in Australia and overseas. NAB forecasts imply a moderate recession with no recovery until late 2009.

The RBA announced another 1.0% cut in the official cash rate on 3 February, taking the cash rate to 3.25%; the lowest level since the early 1960s.

### Australian shares

The rally experienced over the Christmas period proved to be short lived as more profit warnings and government rescue packages for the UK and US banks renewed concern about Australian financials.

Overall, January was a poor month for Australian equities, with the All Ordinaries Price Index (All Ords) down 5.0%. This was brought about by renewed fears about the onset of a recession in Australia and what the impact might be on company earnings.

### Global economy

All areas of the US economy are in trouble. The housing market is still softening, construction is weakening, manufacturing output is falling rapidly and consumer spending looks likely to keep dropping.

Economic growth in China slowed to 6.8% year on year in December while Japan and Europe, like the US, are poised for a deep recession.

NAB expects US output to fall by around 2% in 2009 and they anticipate the Chinese Government will introduce very big spending initiatives. These spending initiatives will be good for heavy industry linked to construction and for metal demand and prices, but are not believed to amount to much restructuring for the Chinese economy.

### International shares

The Dow Jones Industrial Average (Dow Jones) was down 8.8%, the worst January return in the index's 113-year history. Other major global stockmarket indices were also down between 4.5% and 9.8% for the month.

Reasons for the decline included doubt surrounding President Obama's stimulus package and careful spending of the Troubled Asset Relief Program (TARP) which have not yet succeeded in overcoming the negative impacts of asset write-downs, poor economic data and earnings downgrades.

### January market performance

Equity Markets – Price Indices		At Close	% Change	% Change
	Index	31/1/09	1 Month	12 Months
Australia	All Ordinaries	3478.15	-5.0%	-38.6%
Japan	Nikkei	7994.05	-9.8%	-40.1%
Hong Kong	Hang Seng	13278.21	-7.7%	-43.9%
UK	FTSE 100	4149.64	-6.4%	-28.9%
Germany	DAX	4338.35	-9.8%	-36.9%
US	Dow Jones	8000.86	-8.8%	-35.7%
EMU*	Euro 100	1717.60	-4.5%	-38.4%
World**	MSCI – Ex Aus	628.23	-7.2%	-39.4%

Property – Price Index		At Close	% Change	% Change
	Index	31/1/09	1 Month	12 Months
Listed Trusts	ASX LPT	812.00	-9.7%	-54.9%

Interest Rates		At Close	% Change	% Change
		31/1/09	1 Month	12 Months
Aust 90 day Bank Bills		3.41	-0.74	-3.90
Australian 10 year Bonds		4.10	0.12	-1.96
US 90 day T Bill		0.25	0.13	-1.89
US 10 year Bonds		2.85	0.64	-0.82

Currency		At Close	% Change	% Change
		31/1/09	1 Month	12 Months
US dollar	A\$/US\$	0.6364	-9.4%	-28.8%
British pound	A\$/STG	0.4378	-8.8%	-2.7%
Euro***	A\$/euro	0.4964	-1.3%	-17.5%
Japanese yen	A\$/yen	57.22	-10.2%	-39.8%
Trade-weighted Index		53.50	-3.8%	-21.8%

\* 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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