

**March 2009**

### Australian economy

Data released by the Australian Bureau of Statistics (ABS) in early March showed the December quarter Gross Domestic Product (GDP) contracting by a worse than expected 0.5%, the first quarterly contraction in 8 years. This result followed the RBA's decision to leave the cash rate at 3.25% at the March meeting.

Other December quarter data released in February also revealed a weak Australian and global economy. Consumption was flat, housing construction declined by 1.2%, imports fell by 6.8% and exports fell by 0.8%.

After adjusting their forecasts to take into account the unexpectedly weak December GDP figures and re-estimating their outlook for 2009, nab Capital (NAB) now forecast Australian GDP to fall by 1% in 2009.

### Australian shares

As the global recession worsens, weak commodity markets have been negative for mining, energy and materials stocks. Industrial stocks have succumbed to weak consumer demand, poor construction fundamentals and general economic weakness.

As a result the All Ordinaries Price Index for the month of February was down 5.2% and down 41.9% for the year.

### Global economy

The Federal Reserve (Fed) at its late January meeting reaffirmed its intention to keep the Fed funds rate between zero and 0.25% and added that "economic conditions are likely to warrant exceptionally low levels of the Fed funds rate for some time".

Economic growth in China slowed to 6.8% year on year in the December quarter. This was down from growth of 9% year on year in the previous quarter and a peak growth rate of 14% in mid-2007. The impact of the slowing is very evident in the industrial sector.

### International shares

Stock markets continue to price in the worst possible scenario, as the Dow Jones Index continues to track the experience of the Great Depression. Over the past month, the Dow lost 11.7% to be down by 42.4% over the year to the end of February.

### February market performance

| Equity Markets – Price Indices |                | At Close | % Change | % Change  |
|--------------------------------|----------------|----------|----------|-----------|
| Index                          |                | 28/02/09 | 1 Month  | 12 Months |
| Australia                      | All Ordinaries | 3296.9   | -5.2%    | -41.9%    |
| Japan                          | Nikkei         | 7568.42  | -5.3%    | -44.4%    |
| Hong Kong                      | Hang Seng      | 12811.57 | -3.5%    | -47.3%    |
| UK                             | FTSE 100       | 3830.09  | -7.7%    | -34.9%    |
| Germany                        | DAX            | 3843.74  | -11.4%   | -43.0%    |
| US                             | Dow Jones      | 7062.93  | -11.7%   | -42.4%    |
| EMU*                           | Euro 100       | 1546.92  | -9.9%    | -43.9%    |
| World**                        | MSCI – Ex Aus  | 569.62   | -9.3%    | -44.0%    |

| Property – Price Index |         | At Close | % Change | % Change  |
|------------------------|---------|----------|----------|-----------|
| Index                  |         | 28/02/09 | 1 Month  | 12 Months |
| Listed Trusts          | ASX LPT | 666.79   | -17.9%   | -61%      |

| Interest Rates           |  | At Close | % Change | % Change  |
|--------------------------|--|----------|----------|-----------|
|                          |  | 28/02/09 | 1 Month  | 12 Months |
| Aust 90 day Bank Bills   |  | 3.16     | -0.25    | -4.83     |
| Australian 10 year Bonds |  | 4.4      | 0.3      | -1.81     |
| US 90 day T Bill         |  | 0.25     | 0.01     | -1.58     |
| US 10 year Bonds         |  | 3.02     | 0.16     | -0.5      |

| Currency             |          | At Close | % Change | % Change  |
|----------------------|----------|----------|----------|-----------|
|                      |          | 28/02/09 | 1 Month  | 12 Months |
| US dollar            | A\$/US\$ | 0.6388   | 0.4%     | -31.4%    |
| British pound        | A\$/STG  | 0.4461   | 1.9%     | -4.7%     |
| Euro***              | A\$/euro | 0.504    | 1.5%     | -17.8%    |
| Japanese yen         | A\$/yen  | 62.35    | 9.0%     | -35.4%    |
| Trade-weighted Index |          | 54.8     | 2.4%     | -23.7%    |

\* 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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