

### Australian economy

Treasurer Wayne Swan said on 31 March 2009, that given the worsening global economy, it is "inevitable that the Australian economy will experience a period of negative growth". The RBA Commonwealth Treasury up until now, has been forecasting positive GDP growth for 2009. In nab Capital's (NAB's) view, the recession started in the third quarter of 2008 and will be with us throughout 2009. NAB believes any upturn in the economy will come around the turn of the year and 2010 should be a recovery year.

Overall the Australian economy is still faring better than most as the international financial crisis bites into real output and jobs across the developed and developing world.

### Australian shares

After hitting fresh lows on March 6, the Australian sharemarket rallied sharply to end the month 7.1% higher. This was in part brought about by the improved sentiment toward the global economy coupled with recent global policy responses.

### Global economy

US inflation is expected to remain subdued because of the large amount of idle capacity and the rapid rise in the jobless rate. The US Federal Reserve is clearly concerned that inflation could turn out to be too low and sees the risk that it "could persist for a time, below rates that best foster economic growth and price stability in the longer term".

The Chinese economy continues to be badly affected by the downturn in world trade. Chinese export values in US Dollar (USD) terms were down by almost 25% year on year in the month of February and the value of shipments in USD has almost halved since last September. Japanese exports and industrial output through the closing months of last year and early 2009 has also been exceptional. As domestic demand had been so weak for years, the Japanese economy was reliant on export-led growth and that has now ended abruptly.

The Eurozone economy is suffering a much more severe downturn than the authorities initially expected. The current downturn is already shaping up to be the deepest Eurozone recession of the post-war period.

### International shares

Similar to the Australian sharemarket it has been a better month for global equity markets as well.

Recently policy initiatives in the US have resulted in investors becoming more positive about prospects for the global economy and hence for the world's major corporations.

The US led the major global markets up 7.7% for the month of March while the UK was relatively subdued at 2.5%.

### March market performance

Equity Markets – Price Indices		At Close	% Change	% Change
	Index	31/03/09	1 Month	12 Months
Australia	All Ordinaries	3532.30	7.1%	-34.7%
Japan	Nikkei	8109.53	7.1%	-35.3%
Hong Kong	Hang Seng	13576.02	6.0%	-40.6%
UK	FTSE 100	3926.14	2.5%	-31.1%
Germany	DAX	4084.76	6.3%	-37.5%
US	Dow Jones	7608.92	7.7%	-38.0%
EMU*	Euro 100	1580.19	2.2%	-40.1%
World**	MSCI – Ex Aus	603.85	6.0%	-39.2%

Property – Price Index		At Close	% Change	% Change
	Index	31/03/09	1 Month	12 Months
Listed Trusts	ASX LPT	663.47	-0.5%	-61.1%

Interest Rates		At Close	% Change	% Change
		31/03/09	1 Month	12 Months
Aust 90 day Bank Bills		3.14	-0.02	-4.73
Australian 10 year Bonds		4.61	0.21	-1.44
US 90 day T Bill		0.20	-0.05	-1.13
US 10 year Bonds		2.66	-0.35	-0.75

Currency		At Close	% Change	% Change
		31/03/09	1 Month	12 Months
US dollar	A\$/US\$	0.6914	8.2%	-24.3%
British pound	A\$/STG	0.4829	8.2%	4.9%
Euro***	A\$/euro	0.5220	3.6%	-9.9%
Japanese yen	A\$/yen	68.46	9.8%	-24.8%
Trade-weighted Index		57.40	4.7%	-16.7%

\* 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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