

October 2009

Australian economy

Most Australian economic indicators released in September were stronger with the exception of National Australia Bank's (NAB's) Business survey, which showed that business confidence had fallen slightly. Compared to the last several months and the large August increase, overall Business confidence remains strong. Business confidence measures how confident business owners are about future conditions. The ANZ job ads survey rose for the second month in a row, with the total number of job advertisements in Australian newspapers and on the internet rising 4.4%. Data released by the Australian Bureau of Statistics (ABS) showed that the unemployment rate remained steady at 5.8% in August, the highest level since October 2003. The unemployment rate was at 5.7% in September.

The Reserve Bank of Australia (RBA) raised interest rates by 0.25% on 6 October as a result of the global economy and global financial markets showing improvement. Economic conditions in Australia have also been better than expected.

Global economy

Economic indicators in the US were mixed. Excluding car and parts sales, US retail sales increased 1.1%. The US unemployment rate rose to 9.8% in September, which was up from 9.7% in August. The US unemployment rate is currently at its highest level since June 1983.

Elsewhere, in China and other emerging east Asian economies, exporters have cut their prices to limit the damage from reduced export volumes. The downturn in exports had a rapid impact on the labour market. It was recently estimated that the recession resulted in the loss of 41 million jobs in China and 23 million of these workers are still unemployed. This is much larger than the official Chinese estimates of a loss of around 16 million jobs.

Equity Markets

Global stock markets reacted negatively to the fall in China's Shanghai Composite Index in late August. However, during early to mid September, China's sharemarket increased before falling back again with little impact on global markets. Interestingly, the Dow Jones Industrial Index (Dow), which followed China's market down in early September, has not followed the latest weakness in China's sharemarket. Over September, the Dow increased 2.3%.

Recently there has been a lot of talk about equity markets being overvalued. Markets have certainly come a long way since their lows in March of this year but according to nab Capital's (NAB) valuation model, which compares the current level of the index against the long run trend, they find that the current level of the US Market remains below the trend line. In other words, NAB does not believe markets are overvalued when compared to historical data and may have room to extend their gains.

September market performance

Equity Markets – Price Indices		At Close 30/9/09	% Change 1 Month	% Change 12 Months
Australia	All Ordinaries	4739.26	5.7%	2.3%
Japan	Nikkei	10133.23	-3.4%	-10.0%
Hong Kong	Hang Seng	20955.25	6.2%	16.3%
UK	FTSE 100	5133.90	4.6%	4.7%
Germany	DAX	5675.16	3.9%	-2.7%
US	Dow Jones	9712.28	2.3%	-10.5%
EMU*	Euro 100	2119.77	2.2%	-6.6%
World**	MSCI - Ex Aus	796.66	2.8%	-7.3%

Property – Price Index		At Close 30/9/09	% Change 1 Month	% Change 12 Months
Listed Trusts	ASX A-REITS	958.54	9.5%	-30.0%

Interest Rates		At Close 30/9/09	% Change 1 Month	% Change 12 Months
Aust 90 day Bank Bills		3.38%	-0.1%	-3.9%
Australian 10 year Bonds		5.44%	0.0%	0.0%
US 90 day T Bill		0.12%	0.0%	-0.8%
US 10 year Bonds		3.31%	-0.1%	-0.5%

Currency		At Close 30/9/09	% Change 1 Month	% Change 12 Months
US dollar	A\$/US\$	0.8826	4.5%	11.4%
British pound	A\$/STG	0.5523	6.6%	24.2%
Euro	A\$/euro	0.6028	2.4%	7.3%
Japanese yen	A\$/yen	79.19	0.7%	-5.8%
Trade-weighted Index		68.20	2.7%	7.6%

* Top 100 European stocks trading on the FTSE

** Source : www.msci.com

Source : Iress Market Technology

Past performance is not a reliable indicator of future performance.

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