

# Month in Review

ISSUE DATE: 11-08-2014

## Market Moves — as at 31-7-2014

RETURNS (%) P.A.	1 MTH	3 MTH	6 MTH	1 YR	3 YR	5 YR	10 YR
<b>AUSTRALIAN EQUITIES</b>							
S&P/ASX 200 ACCUMULATION INDEX	4.40	3.54	10.93	16.54	13.50	10.59	9.46
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	4.91	3.83	6.39	8.07	-1.83	2.64	4.49
<b>GLOBAL EQUITIES</b>							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	-0.22	2.09	2.43	12.40	18.99	10.90	5.01
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	0.12	2.67	2.71	12.88	23.52	14.21	4.98
FTSE 100 ACCUMULATION INDEX (AS)	0.13	-0.36	1.64	13.17	16.24	9.69	4.36
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	3.42	8.23	9.13	11.58	6.52	5.32	9.59
<b>REITS (LISTED PROPERTY SECURITIES)</b>							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	4.96	8.50	17.61	17.41	19.69	14.83	2.38
UBS GLOBAL INVESTORS TR HEDGED (AS)*	1.01	5.42	14.67	16.31	14.40	20.84	N/A*
<b>FIXED INTEREST</b>							
UBS WARBURG COMPOSITE BOND INDEX	0.29	2.49	3.79	5.49	6.53	6.88	6.45
UBS WARBURG BANK BILL INDEX	0.23	0.68	1.32	2.66	3.49	3.90	4.98
BARCAP GLOBAL AGGREGATE INDEX HEDGED \$A	0.46	2.19	4.13	7.58	7.57	8.21	7.76

Data source: IRESS & Financial Express. Returns greater than one year are annualised

\* Please note that the UBS Global Investors TR Hedged (A\$) performance history does not extend 10 years.

### Australian Equities

The Australian 'broad cap' equity market, as measured by the S&P/ASX 200 Accumulation Index, had a particularly strong month, finishing up 4.4%. When assessed over 12 months the index returned 16.5%.

Contrary to previous updates, the S&P/ASX Small Ordinaries Accumulation Index had a stellar month, edging up 4.9%. Nevertheless when assessed over 12 months, the 'small cap' index still trails the 'broad cap' index materially.

### Global Equities

European equity markets continued their downward trend in July, with the German DAX, the French CAC and the U.K. FTSE declining, -6.5%, -6.1% and -5.5% respectively. European equities were severely impacted by the geopolitical tensions arising out of Eastern Europe. The currency impact was mixed over this time period, as the \$A appreciated against the Euro and depreciated against the GBP Sterling.

Similarly to European equity markets the U.S. 'large cap' market, as measured by the S&P 500, was down in July (-1.50%). When converted back to \$A, returns were positively impacted as the local currency depreciated against the USD.

The Japanese equity market, as measured by the Nikkei Index, continued its upward trend in July by recording a 1.46% incline. Among the top performers

across equity markets in July, were Hong Kong's Hang Seng Index and the Shanghai Composite Index, with the indices recording a 6.8% and 8.0% incline respectively.

### REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index, a proxy for the local REIT market, appreciated by 5.0%. When assessed over 12 months the Index recorded a 17.4% gain.

The UBS Global Investors TR (Hedged \$A), the global REIT Index, underperformed its local counterpart in July and still lags the domestic REIT index over 12 months.

### Fixed Interest

The Australian fixed interest market, as measured by the UBS Composite Bond Index, edged up by 0.3% in July. The global fixed interest market was a little more upbeat, with the Barclays Global Aggregate Index (hedged \$A) returning 0.5% in July. Contrary to consensus forecasts at the beginning the year, on aggregate fixed interest securities have performed particularly well so far in 2014.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of July up 0.23%.

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# Month In Review

## Economic Indicators

### S&P/ASX 200 Stock Performance for the Month of July 2014

BEST PERFORMERS		WORST PERFORMERS	
WOTIF.COM HOLDINGS	37.44	NAVITAS LTD	-30.44
NORTHERN STAR	36.11	BURU ENERGY	-24.77
LYNAS CORPORATION	30.76	BEADELL RESOURCES	-14.75
PALADIN ENERGY LTD	27.12	ALS LTD	-11.85
TRANSFIELD SERVICES	25.35	MEDUSA MINING	-9.76

### S&P/ASX 200 Stock Performance for the Year to July 2014

BEST PERFORMERS		WORST PERFORMERS	
NORTHERN STAR	98.27	PALADIN ENERGY LIMITED	-62.5
DOMINOS PIZZA ENTERPRISES	90.71	LYNAS CORPORATION	-58.02
CHALLENGER LIMITED	89.22	BURU ENERGY	-52.01
G8 EDUCATION LIMITED	86.19	REGIS RESOURCES	-50.28
GREENCROSS LIMITED	84.27	MERMAID MARINE	-46.14

## Economic News

According to the Australian Bureau of Statistics (ABS), total dwelling approval fell by -1.1% in June. Dwelling approval has now fallen for six consecutive months.

On aggregate, official retail sales finished June unchanged, which was not dissimilar to the three preceding months. When analysed geographically, Victoria, New South Wales and the Northern Territory were the primary contributors. While Western Australia, Queensland and the ACT were the primary detractors.

At the time of this report's publication, the Westpac Institute of Consumer Sentiment (July edition) was yet to be released.

The unemployment rate rose to 6.4% from 6.0% in June, its highest point since August, 2002. While the market had been expecting a mild uptick in the unemployment rate, the magnitude of the increase caught commentators off guard. The participation rate increased by 0.1% to 64.8% over this corresponding time period.

The National Australia Bank's Quarterly Business Survey highlighted the drop in confidence amongst Australia's largest firms during the second quarter. The less than flattering result was primarily fuelled by the uncertainty surrounding domestic demand going forward and the Federal Budget release in May, 2014. The fall in business confidence has been reflected in the most recent labour market update.

As was widely expected by the market, the Reserve Bank of Australia (RBA) left the Australian cash rate on hold at 2.5% following its most recent monthly meeting. The RBA maintained its hesitant stance regarding the decline in mining investment, a sharp retraction in resource prices and a high local currency. The recent rise in the unemployment rate will be an area of focus going forward.

U.S. total nonfarm payrolls came in slightly below expectations in July, however still increased by 209,000. Subsequent to the release, the headline unemployment rate was little changed at 6.2%. Over the last three months payroll increases have averaged 245,000, a particularly promising result. Despite the seemingly strong labour market, the U.S. Federal Reserve continued to highlight separate employment indicators which suggest there is a moderate degree of slack remaining.

Following the horrific MH17 disaster, which killed 28 innocent Australian citizens, the West has taken a rather tough stance on Russia in the form of increased sanctions. A select group of Russian state owned banks and its top energy companies have been banned from accessing capital markets in the E.U. and the U.S. Russia has retaliated by banning food imports from a number of western countries, a move which will not only disadvantage exporters to Russia but also its own people who rely on those supplies for their way of life.

In a recent development, the U.S. authorised air strikes to take place in northern Iraq against the Sunni extremists. The air strikes allowed for humanitarian aid parcels to be dropped to struggling Kurdish refugees, who have been plagued by starvation and dehydration as the unrest intensified.

The Australian Dollar declined against the USD (-1.0%) and the GBP (-0.4%) in July. It appreciated against the Euro (0.8%) and the JPY (0.4%).

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