Month in Review

LONSEC

September 2013

Economic News

Residential building approvals advanced marginally during August, edging up by 0.1%. However when seasonally adjusted, total dwellings approved fell by -4.7%. This comes off the back of a 10.2% seasonally adjusted increase in the preceding month.

According to the Australian Bureau of Statistics (ABS), **Australian retail sales** advanced 0.4% during August, beating the consensus analyst's forecast by 0.1%. The result was primarily driven by a 6.4% increase in department store spending with cafes, restaurants and takeaway outlets also having a positive influence. Spending on household goods and 'other retailing' (newspapers, books and pharmaceutical goods) detracted from the overall result.

The **Wespac Melbourne Institute of Consumer Sentiment** stated that consumer confidence increased sharply during September, rising 4.7%. This was received particularly well by economists, as a 3.5% gain was recorded in the preceding month. The positive result reflects consumer's reaction to the historically low interest rates and the conclusive win by the coalition party in the Federal election.

Business confidence, as measured by the **National Australia Bank's Business Survey**, advanced significantly during September to its highest level in three and half years. Confidence surged across all states and sectors, with the mining sector being the most pronounced. As was the case with consumer sentiment, the result was predominantly linked to the change in Federal Government. This result has added substance to the largely positive month for economic data released concerning September. Further reinforcing this point was data suggesting the construction and car sales were beginning to gain increased momentum.

The **unemployment rate** was up slightly during August, with the number of people with full time employment falling by 10,800 (seasonally adjusted). This is contrary to the 10,000 person gain that was the consensus forecast amongst economists. The rise in unemployment has been partly fuelled by the decreased demand for labour within the mining/mining services sectors. However pleasingly the number of hours worked increased for the third consecutive month, which may have positive flow on effects for future unemployment rates. The Australian participation rate decreased 0.1% to 65.0%.

During the most recent RBA Board meeting, the Board announced that they will keep the Australian **cash rate** constant at 2.50%, which was what was widely expected by the market. The Board has stated that the appetite for finance within the Australian economy has been slowly growing in magnitude due to the consistent cuts in the headline rate since 2011. Albeit, uneasiness lingers over economic growth remaining below trend, unemployment clawing higher and the mining boom waning.

The US Federal Reserve Chairman, Ben Bernake, shocked financial markets during his scheduled public address on the 18th of September when he announced that the Fed would not dial down its tapering program in the immediate future. Market commentators expected some tapering of its aggressive asset purchasing program, however, Bernake stated the Fed is looking for more of a profound indication that the US economy is gaining momentum. This provided fuel for the continuity of booming equity markets globally.

In light of the bizarre events that have unfolded within the US Congress, the scheduled employment and trade data release date (first Friday of every month) has been non-existent.

The **Australian Dollar** reversed some of its losses in prior months during September, with the local currency advancing against the US Greenback (4.05%), the Japanese Yen (3.75%) and the Euro (2.13%).

Market moves — as at 30 September 2013 Returns (%) p.a.	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Australian Equities							
S&P/ASX 200 Accumulation Index	2.19	12.35	7.46	24.29	9.28	7.30	9.82
S&P/ASX Small Ordinaries Accumulation Index	1.68	16.16	-2.18	1.42	-2.55	0.95	5.56
Global Equities							
MSCI World Acc Index with Gross Div (A$)	0.10	5.67	22.34	34.84	13.89	4.80	4.66
S&P 500 Composite Accumulation Index (A$)	-1.76	3.03	20.76	32.72	17.63	6.34	4.15
FTSE100 Accumulation Index (A$)	0.60	9.66	22.22	30.21	11.38	4.04	4.81
MSCI Emerging Markets Free W/Gross Div (A$)	1.59	3.45	8.69	12.71	1.12	4.03	9.65
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	0.93	2.07	3.34	16.39	12.02	0.66	3.18
UBS Global Investors TR Hedged (A$)*	4.28	0.09	-1.87	12.82	14.43	6.72	6.02
Fixed Interest							
UBS Warburg Composite Bond Index	0.50	1.27	1.43	1.82	6.75	6.93	6.22
UBS Warburg Bank Bill Index	0.21	0.69	1.44	3.06	4.14	4.21	5.22
BarCap Global Aggregate Index Hedged $A	0.98	1.44	0.19	3.15	6.96	8.76	7.56

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

** Please note that the Global Property Index has changed from UBS Global Real Estate Investors Index (A$) to UBS Global Investors TR Hdg (A$)*

S&P/ASX 200 Stock Performance for the Month of September 2013

Best Performers		Worst Performers	
Cudeco Limited	46.07	Resolute Mining	-32.46
G8 Education Limited	20.56	St Barbara Limited	-31.06
Tpg Telecom Limited	20.22	Perseus Mining Ltd	-29.49
Duluxgroup Limited	16.81	Kingsgate Consolidate	-23.99
Fleetwood Corp	16.13	Oceana Gold Corporation	-20.57

S&P/ASX 200 Stock Performance for the Year to September 2013

Best Performers		Worst Performers	
Magellan Fin Grp Ltd	233.07	Perseus Mining Ltd	-81.16
G8 Education Limited	155.94	Sundance Resources	-78.53
REA Group	141.47	Silver Lake Resources	-78.30
JB Hi-Fi Limited	130.98	St Barbara Limited	74.31
Linc Energy Ltd	130.16	Boart Longyear	-73.56

Data source: IRESS: S&P/ASX200 top performers

Australian Equities

The Australian share market continued its stellar run during September, advancing a further 2.19%. With that said, this result underperformed the majority of other developed markets. Over the last 12 months the ASX/S&P Accumulation Index has returned 24.29%.

The S&P/ASX Small Ordinaries Accumulation Index finished in the black for the month of September, generating 1.68% in returns. Nonetheless, when assessed over a longer time period (12 months), performance has been a relatively subdued 1.68%.

Global Equities

Broadly speaking European equities rebounded strongly for the month of September, with the French CAC, the German DAX and the UK FTSE returning 5.33%, 6.06% and 0.77% respectively.

The US equity market (measured by the S&P 500) also rebounded, as it returned 2.97% following a relatively lacklustre August. When converted back to AUD, the index actually recorded a detraction due to the appreciation of the domestic currency against the USD. Overall world equity markets had a particularly strong month with the MSCI World Accumulation Index advancing 4.82%.

Japan’s Nikkei Index was among the best performers for September, with it progressing 7.97%. Both the Shanghai Composite Index and the Hang Seng Index performed well for September, accelerating by 3.64% and 5.19% respectively. Nevertheless their performance still trails most other developed market indices over the last 12 months.

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index was up marginally for the month, 0.93%. The asset class has been a reasonably solid performer for the year, up 16.39%.

The UBS Global Real Estate Investors Index Hedged (A$) rebounded substantially during September, returning 4.28%, this after a particularly dire August. This index has underperformed its Australian counterpart during the last 12 months, but still progressing 12.82%.

Fixed Interest

The UBS Composite Index regained some of its earlier losses during September, gaining 0.50% for September. The Barclays Global Aggregate Index Hedged ($A) had a rewarding month, up 0.98%. Fixed income returns were assisted this month with the delay in the expected US Federal Reserves tapering program.

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

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