

Month in review

ISSUE DATE 11-11-2013

Economic News

Total dwellings approved rose by 2.5% in September, according to the Australian Bureau of Statistics (ABS). Although once seasonally adjusted the result became much more pronounced, having risen 14.4%. This was significantly higher than consensus analysts expectations, which was pleasing.

According to the ABS **Australian Retail Sales** advanced by 0.8% during September, which was 0.4% higher than consensus analyst forecasts. Spending in the following industries contributed positively to the result; clothing and footwear, food retailing, cafes and restaurants, household good retailing, and department stores. The favourable result has been linked to two primary factors, specifically, the recent surge in the domestic equity & property markets and the Coalition's recent convincing victory.

The **Wespac Melbourne Institute of Consumer Sentiment** stated that consumer confidence fell by 2.1% in October. This came off the back of a 4.7% increase in September. The recent fall was blamed on respondent's uneasiness regarding the partial U.S. government shutdown and some 'cooling off' from the previous month's favourable result.

According to the **National Australia Bank's Business Survey**, business sentiment soared during September to levels not seen since March 2010. Commentators have cited several contributing factors to the favourable result, namely, the decisive win by the Coalition, improving confidence stemming from the mining industry, record low interest rates, a weaker currency and an improving trend in consumer confidence. Some of the best performing sectors, included finance, business, property & recreation and personal services, which were partly assisted by the spike in the property market.

The **unemployment rate** lifted slightly during October, as it rose from 5.6% to 5.7%. The number of employment positions increased by 1,100 during October, which was well short of the 10,000 forecast by economists. Moreover, the ABS stated that their initial projections of a 9,300

increase in the preceding month was actually considerably higher than the actual figures recorded. Nevertheless, analysts are expecting some positive side effects to eventuate for the labour market, in light of the recent uptick in Australia's business confidence and the recent surge in the housing market. The participation rate remained steady after a sharp fall in September at 64.8%.

During the most recent RBA Board meeting, the Board announced that they would keep the Australian **cash rate** constant at 2.50%, which was widely expected by the market. The Board reiterated its acknowledgement of the increased demand for credit by households and other interest sensitive areas of the economy. However, it did express concern over the 'uncomfortably' high exchange rate and the peak and fall in the level of mining investment, which commentators understood as more of a 'dovish' signal by the RBA Governor.

Broadly speaking, the September payroll numbers out of the U.S. were quite disappointing for analysts, with them yet again missing expectations. The total nonfarm payroll employment rose by 148,000, which left the unemployment rate steady at 7.2%. Gains were recorded in construction, wholesale trade, and transportation and warehousing. In light of the sub-par employment numbers, most economists are not expecting any tapering of asset purchases by the U.S. Federal Reserve (the Fed) until early 2014.

Events that unfolded within the U.S. Congress in late September and early October left onlookers feeling anxious, as a potential U.S. default was becoming conceivable. Nonetheless an '11th hour' deal was finally reached, between Democrats and Republicans, which enabled the U.S. debt ceiling to be increased once again.

The **Australian Dollar** continued to gain traction during October, with the local currency advancing against the U.S. Greenback (1.94%), the Japanese Yen (2.49%), the Euro (0.33%) and the U.K. Pound Sterling (2.85%).

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Market moves — as at 31 October 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	4.21	8.71	7.39	25.48	10.06	11.10	9.89
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	2.97	7.47	5.86	2.85	-2.73	7.46	5.51
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	2.50	1.00	21.05	39.20	14.04	6.05	4.71
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	3.28	-0.72	21.84	39.26	17.91	7.14	4.40
FTSE100 ACCUMULATION INDEX (AS)	2.21	3.13	20.68	31.85	11.22	5.15	4.81
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	3.48	4.05	11.12	17.26	1.86	7.85	9.54
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	2.29	3.62	-1.65	13.42	13.14	7.28	3.23
UBS GLOBAL INVESTORS TR HEDGED (AS)*	3.52	2.55	-4.38	14.99	14.22	15.96	5.82
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	0.14	-0.05	-0.15	1.75	6.73	6.50	6.33
UBS WARBURG BANK BILL INDEX	0.20	.65	1.39	2.98	4.07	4.10	5.20
BARCAP GLOBAL AGGREGATE INDEX HEDGED SA	1.11	1.93	-0.03	3.70	7.25	9.17	7.74

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 October 2013

BEST PERFORMERS		WORST PERFORMERS	
SUNDANCE RESOURCES	47.89	PERSEUS MINING	-20.18
MOUNT GIBSON IRON	22.76	WHITEHAVEN COAL	-17.76
ATLAS IRON	19.65	QANTAS AIRWAYS	-17.55
TRANSFIELD SERVICES	18.14	ACRUX LIMITED	-17.28
TRANSPACIFIC INDUSTRIES	18.04	KINGSGATE CONSOLIDATED	-15.59

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

BEST PERFORMERS		WORST PERFORMERS	
MAGELLAN FINANCIAL GROUP LTD	206.14	PERSEUS MINING	-83.01
LINC ENERGY LTD	161.81	SILVER LAKE RESOURCES	-78.06
REA GROUP	140.58	ST BARBARA LTD	-74.67
G8 EDUCATION LTD	123.83	KINGSGATE CONSOLIDATED	-73.86
JB HI-FI LTD	112.68	BOART LONGYEAR	-70.55

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Month in review

Australian Equities

The Australian Share market continued to add value during October, with the S&P/ASX 200 Accumulation Index advancing by 4.21%. This result was particularly impressive, as it was among one of the best performers globally for the month. Over the last 12 months, the Index has returned 25.48%.

The S&P/ASX Small Ordinaries Accumulation Index also continued its incline, as it advanced 2.97% for the month. However, when measured over 12 months the Index has returned a marginal 3.85%.

Global Equities

European equities performed well during October, as investors continued to gain faith in the strength of the European economy. In local currency terms the German DAX, the French CAC and the UK FTSE returned 3.97%, 2.46 and 4.40% respectively over this period.

The U.S. equity market (measured by the S&P 500) gained 3.96% during October, which was impressive given the strong numbers recorded in the previous month. However, when converted back to AUD the returns were not as favourable, having returned 3.28%.

Japan's Nikkei Index was among one of the worst performers out of the developed equity market indices, as it actually detracted by -1.08%. Nonetheless, this result came

after a particularly strong September, where it returned 7.97%. Results in both Shanghai and Hong Kong were mixed for the period, as the Shanghai Composite Index fell by -1.51% and the Hang Seng Index advanced by 1.68%.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index had a favourable October, with the Index returning 2.29%. Over the last 12 months, the Index returned a solid 13.42%.

The UBS Global Real Estate Investors Index Hedged (A\$) had a stellar month during October, returning 3.52%. This was quite a notable performance, given the Index returned 4.28% in September. The returns on this Index, over the last 12 months of 14.99%, now outstrip those of its domestic counterpart.

Fixed Interest

The UBS Composite Bond Index edged up a negligible 0.14% for the month of October. Likewise, the returns of the Barclays Global Aggregate Index Hedged (A\$) were also flat, creeping up by 0.2%. Some of the primary drivers of fixed interest returns for the month, were the partial U.S. government shutdown and investor's nerves regarding the tapering of asset purchases by the Fed.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities finished the month of October up 0.21%.

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