

# Month in review

## Market moves — as at 31 December 2013

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	0.79	3.42	13.97	20.20	3.08	15.99	15.11
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	2.55	-0.15	14.71	-0.76	-2.57	9.58	6.48
<b>GLOBAL EQUITIES</b>							
MSCI WORLD ACC INDEX WITH GROSS DIV (AS)	4.25	13.40	19.83	49.19	17.64	10.25	5.62
S&P 500 COMPOSITE ACCUMULATION INDEX (AS)	4.73	15.50	19.00	53.63	21.57	12.20	5.58
FTSE100 ACCUMULATION INDEX (AS)	4.91	12.34	23.19	40.31	15.66	10.44	5.37
MSCI EMERGING MARKETS FREE W/GROSS DIV (AS)	0.46	6.54	10.21	13.67	2.83	9.83	9.63
<b>REITS (LISTED PROPERTY SECURITIES)</b>							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	-3.06	-3.22	-4.15	1.26	3.43	10.52	2.48
UBS GLOBAL INVESTORS TR HEDGED (AS)*	0.13	0.07	0.16	6.84	11.89	17.49	5.76
<b>FIXED INTEREST</b>							
UBS WARBURG COMPOSITE BOND INDEX	0.37	0.22	1.25	1.83	2.81	6.35	8.29
UBS WARBURG BANK BILL INDEX	0.27	0.70	1.40	2.92	2.31	4.34	6.55

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\$)

### Australian Equities

The Australian share market was up marginally for the month, with the S&P/ASX 200 Accumulation Index gaining 0.79%. The Index managed to gain 20.20% for calendar 2013, which was the best result in nine years.

For the month of December, the S&P/ASX Small Ordinaries Index recorded a 2.55% gain. Unlike its 'large cap' counterpart, the S&P/ASX Small Ordinaries Index had a rather bleak 2013, with this Index actually suffering a decline of -0.76%.

### Global Equities

Broadly speaking European equities had a favourable December, with the German DAX, the French CAC and the U.K. FTSE returning 1.56%, 0.02% and 1.48% respectively in local currency terms. When converted back to Australian Dollars, these returns were slightly magnified as the domestic currency depreciated over the corresponding time-period.

The U.S. equity market, as measured by the S&P 500, finished 2013 on a high, with the Index up 2.32% over December. The U.S. market was among the best performers for 2013, with the Index returning approximately 30% in USD terms.

Japan's Nikkei Index was up a further 4.0% over December. This was a particularly favourable result, considering the Japanese equity Index returned over 10% in the preceding month. The returns of the

Shanghai Composite Index and Hong Kong's Hang Seng Index unfortunately struggled once again for December, with the Index's returning -4.7% and -2.4% respectively.

### REITs (Listed Property Securities)

The returns of the S&P/ASX 300 AREIT Accumulation Index declined by -3.06% for December, which followed a -2.59% fall in November. The total returns over the last 12 months now currently stand at 1.26%.

The UBS Global Real Estate Investors Index Hedged (\$A) returned a marginal 0.13% for December. The Global REIT Index has now outperformed its domestic counterpart over the last 12 months.

### Fixed Interest

The UBS Composite Bond Index had a month in the black, as investor's appetite for Australian Government Bonds recovered somewhat. However, the Barclays Global Aggregate Index retreated as spreads on corporate securities widened throughout the month, as investors reacted to the planned tapering of the U.S. Federal Reserve's asset purchases.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of December up 0.27%.

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## Economic indicators

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

BEST PERFORMERS		WORST PERFORMERS	
FORGE GROUP HOLDINGS	132.00%	WOTIF	-36.61%
DECMIL GROUP	33.33%	QBE INSURANCE	-26.45%
AUSDRIILL LTD	32.05%	TRANSFIELD SERVICES	-21.14%
TPG TELECOMMUNICATIONS	28.81%	MCMILLAN SHAKESPEARE	-10.66%
BURU ENERGY	24.55%	QANTAS AIRWAYS	-10.25%

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

BEST PERFORMERS		WORST PERFORMERS	
SLATER & GORDON	128.30%	SILVER LAKE RESOURCES	-83.88%
REA GROUP	109.77%	RESOLUTE MINING	-66.15%
JB HI FI LTD	107.72%	NEWCREST MINING	-64.83%
MAGELLAN GROUP	105.50%	FORGE GROUP MINING	-64.70%
TPG TELECOMMUNICATIONS	105.40%	EVOLUTION MINING	-64.03%

## Economic news

Total Dwelling Approvals continued to rise during November, with the headline figure advancing by 2.4% in November. This result was particularly impressive, as dwelling approvals have recorded gains for the last 13 consecutive months.

Residential building construction rose in December, as low interest rates continued to assist the fastest expansion in housing construction since 2005. This result is pleasing considering the industry suffered consistent declines for the years directly following the Global Financial Crisis (GFC).

Official retail sales have advanced for November, with the seasonally adjusted figure inclining by 0.7% according to the Australian Bureau of Statistics (ABS). At a sector level, spending increased in other retailing (2.1%), cafes and restaurants (2.2%), clothing and footwear (1.7%). Nevertheless, these gains were partially offset by a significant fall in department store spending (-2.0%). When analysed geographically, all states and territories recorded gains apart from the ACT.

The Wespac Institute of Consumer Sentiment fell by 4.8% in December, which leaves the Index at its lowest point since July 2013. A number of factors contributed to the disappointing result, namely, consumer's post-election euphoria becoming less noticeable, house price affordability concerns and respondent's uneasiness regarding job security.

Business confidence, as measured by the National Australia Bank's Business Survey, held steady throughout November. Businesses continue to reassess their business expectations in the wake of the Federal Election, and less than favourable business conditions. Nevertheless, accommodative monetary policy and rising asset prices continue to be prevalent

features of the Australian economy whose positive side effects continue to flow through to the broader Australian marketplace. Business conditions in the mining sector continued to improve (although only marginally) as some base minerals experienced a mild uptick in their respective price.

The unemployment rate for December is yet to be released, but during November unemployment lifted from 5.7% to 5.8%. The participation rate remained constant at 64.8%.

As is customary for January, the RBA Board did not formally meet to discuss its current stance on monetary policy. The Board will reconvene on the 4<sup>th</sup> of February, with a public address to follow thereafter.

Perhaps the most significant news to rock financial markets over the course of December was the announcement by the U.S. Federal Reserve regarding its planned \$10 billion a month reduction in asset purchases. According to the official minutes, the improving US jobs market was the primary catalyst for its tapering decision, although it does seem some Fed officials remain concerned over the fragility of the US recovery.

Violence has again erupted in Thailand's capital between police and opposition protesters. Currently a Federal election is scheduled for February 2014; however, a movement is underway to revoke the government of its powers prior to this date. Investors have been quick to respond to the political instability with both the Thai equity and bond markets suffering significant losses over December.

The Australian Dollar continued its downward trend during December, with the domestic currency posting declines against all the major currencies except for the Japanese Yen (1.09%).

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