Month in review

ISSUE DATE 11-02-2014

Market moves — as at 31 January 2014

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	-3.03	-3.29	4.90	11.06	8.39	16.69	14.56
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-2.76	-4.64	1.57	-7.39	-5.80	10.17	6.01
GLOBAL EQUITIES							
MSCI WORLD ACC INDEX WITH GROSS DIV (A$)	-1.65	8.81	9.90	40.32	15.09	9.68	5.42
S&P 500 COMPOSITE ACCUMULATION INDEX (A$)	-1.01	10.71	9.91	45.27	19.11	11.89	5.38
FTSE100 ACCUMULATION INDEX (A$)	-1.77	7.96	11.34	33.27	13.26	9.41	5.31
MSCI EMERGING MARKETS FREE W/GROSS DIV (A$)	-4.56	-1.73	2.25	7.56	1.33	8.09	8.89
REITS (LISTED PROPERTY SECURITIES)							
S&P/ASX 300 A-REIT ACCUMULATION INDEX	0.38	-5.21	-2.99	-2.51	4.98	4.61	-3.51
UBS GLOBAL INVESTORS TR HEDGED (A$)*	2.32	-1.09	1.43	5.42	11.88	21.33	6.14
FIXED INTEREST							
UBS WARBURG COMPOSITE BOND INDEX	1.08	1.66	1.47	3.33	7.51	6.31	8.55
UBS WARBURG BANK BILL INDEX	0.22	0.64	1.31	2.82	4.02	4.28	6.50
BARCAP GLOBAL AGGREGATE INDEX HEDGED $A	1.67	1.36	3.32	4.30	7.98	8.40	7.61

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

Like other equity markets, the S&P/ASX 200 Accumulation Index fell significantly over the course of January, with the Index declining by -3.03%. However, year on year the Index has still managed an 11.1% gain.

The S&P/ASX Small Ordinaries Accumulation Index suffered a similar fate during January, with the Index declining by -2.76%. When assessed over 12 months, this Index has significantly underperformed its 'large cap' counterpart.

Global Equities

Broadly speaking, European equity markets experienced a challenging January, with the German DAX, the French CAC and the U.K. FTSE returning -2.57%, -3.03% and -3.54% respectively (in local currency terms). When converted back to Australian Dollars, the returns were slightly less severe as the local currency depreciated against both the Euro and the GBP.

The U.S. equity market also started 2014 on a sour note, with the S&P 500 suffering a -3.56% decline over January (in USD terms). Nevertheless, the Index has still advanced materially over the last 12 months.

The Japanese equity market, as measured by the Nikkei 225 Index, was among the worst equity market performers for January, with the index falling by -8.4%. Similarly, the returns on the Shanghai Composite Index and Hong Kong's Hang Seng Index were also in the red, with the Index's declining by -3.9% and -5.4% respectively.

REITs (Listed Property Securities)

The S&P/ASX 300 AREIT Accumulation Index managed to record a marginal 0.38% gain over January, although suffered significant losses in the preceding months. The total returns over the last 12 months now currently stand at -2.51%.

The UBS Global Real Estate Investors Index Hedged ($A) returned 2.32% for January. The Global REIT Index has outperformed its domestic counterpart over the last 12 months.

Fixed Interest

Unlike equity markets, returns on high quality fixed interest markets were positive over January. Reflecting this is the returns on both the UBS Composite Bond Index and the Barclays Global Aggregate Index, with the Index's returning 1.08% and 1.67% respectively.

The UBS Bank Bill Index, which comprises of lower risk and shorter dated securities, finished the month of January up 0.22%.

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Economic indicators

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

BEST PERFORMERS		WORST PERFORMERS	
TEN NETWORK HOLDINGS	26.79%	FORGE GROUP HOLDINGS	-58.90%
NEWCREST MINING	23.71%	THE REJECT SHOP	-35.29%
SIRTEX MEDICAL	20.20%	KAROON GAS	-26.04%
ALUMINA LTD	14.35%	TREASURY WINE ESTATE	-24.48%
SILVER LAKE RESOURCES	14.09%	DECMIL GROUP	-21.37%

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

BEST PERFORMERS		WORST PERFORMERS	
SLATER & GORDON	103.70%	FORGE GROUP HOLDINGS	-87.92%
G8 EDUCATION LTD	103.12%	SILVER LAKE RESOURCES	-76.08%
TPG TELECOM	97.80%	AUSDRILL LTD	-69..90%
REA GROUP	97.61%	MEDUSA MINING	-60.53%
JB HI-FI LTD	81.81%	RESOLUTE MINING	-58.87%

Economic news

Total dwelling approval continued to rise during December, with the absolute figure rising by 1.5%. However, once seasonally adjusted dwelling approval actually fell by -2.9%.

Official retail sales advanced by a seasonally adjusted 0.5% during December according to the Australian Bureau of Statistics (ABS). This was a solid result, considering retail sales advanced in the two preceding months by a similar margin. At a sector level spending increased in food retailing (0.6%), cafes and takeaway food outlets (1.2%), other retailing (0.5%), clothing and footwear (0.7%), department stores (0.4%) and household good retailing (0.1%).

The Wespac Institute of Consumer Sentiment fell by 1.7% in January. The fall in the Index has been attributed to respondent's anxiety regarding job prospects coupled with the fear of whether the continued rise in residential housing prices is probable or in fact sustainable.

According to the National Australia Bank's Business Survey, business confidence remained stable and consistent with the long term average over December. Contrary to some commentator's earlier predictions, business confidence has remained relatively upbeat following the 'honeymoon period' directly after the September 2013 Federal election.

The unemployment rate for January is yet to be released, however during December the rate remained constant at 5.8%. However, the participation rate declined by 0.1% to 64.7% over this time period.

After two months of no formal meeting regarding its current stance on monetary policy, the RBA Board announced on the 4th of February that they would leave the cash rate steady at 2.50%. Contrary to previous meetings, the RBA did not express its displeasure over the current value of the Australian Dollar. Moreover, it also acknowledged the recent uptick in consumer demand and housing construction, albeit it did concede the lacklustre mining and resource investment will continue to be a drag on the Australian economy. Although no change in rates was expected, post the announcement some commentators recognise the Board did seem less 'dovish' than in previous reviews.

U.S. payroll numbers advanced by 113,000 over January, which missed consensus economist's forecasts considerably. The report also highlighted just how weak the growth in wages was over the course of 2013, with wages increasing by a mere 1.9% (0.4% once adjusted for inflation). Despite the weak payroll numbers, economists are not expecting any immediate retraction of the Fed's planned $10 billion a month reduction in quantitative easing.

Emerging markets were rocked over the course of January, with the effects of the planned tapering by the Fed becoming magnified. Additionally, emerging markets felt the ramifications of the massive devaluation of the Argentinian Peso, political uncertainty out of Thailand and uneasiness regarding economic growth prospects for China.

The Australian Dollar continued its downward spiral over January, with the domestic currency posting declines against the USD (-2.07%), the Japanese Yen (-4.47%), the Euro (-0.28%) and the GBP (-2.02%).

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