

Economic News

Economic indicators released in December were mixed. Australia's jobless rate for November fell to 5.2%, with more than 55,000 full-time jobs created, as the number of people at work or actively seeking work (the participation rate), rose to a record high of 66.1%.

The ANZ Job Advertisements Series which shows the total number of jobs advertised in major metropolitan newspapers and on the internet rose by 2.9% for November and was 33.2% higher for the last 12 months (seasonally adjusted). This is the seventh consecutive monthly rise in total job advertisements.

November Building Approval figures, seasonally adjusted, showed total dwelling unit approvals fell 4.2% following a rise in the previous month. Private sector housing approvals also fell 1.7% following increases in the previous two months.

Retail sales rose 0.3% in November, seasonally adjusted, following a fall in October. Sectors that rose for the month were food retailing (0.1%) and household goods retailing (0.3%). Cafes, restaurants and takeaway food services (-0.5%) and clothing, footwear and personal accessory retailing (-0.8%) fell for the month.

The Reserve Bank of Australia (RBA) Board did not meet in January, and the official cash rate remained unchanged. In December the RBA Board decided to

leave the cash rate unchanged at 4.75%. The RBA statement observed that since the previous Board meeting, concerns about the creditworthiness of a number of European governments have again become the main focus of global financial markets.

Economic indicators in the US were mixed; the US Labor Department reported in December that the unemployment rate dropped to 9.4% from 9.7% in the previous month. This is the lowest unemployment rate in 19 months, though part of the drop was due to people who stopped looking for work. The economy added 103,000 jobs in December and 1.3 million jobs in 2010.

The US Consumer Price Index rose 0.1% in November, and 1.1% for the last 12 months. The core CPI, which excludes volatile food and energy prices, was also 0.1% for November and was 0.8% higher over the course of 2010. Energy prices increased 0.2% reflecting gains in gasoline and fuel oil costs. Food prices also rose 0.2% in November, led by higher costs for meats and cereals. Declines were recorded in new-car prices, -0.4%.

The Australian Dollar (AUD) rose sharply against the US dollar, gaining 5.67% during December and finishing 2010 at US\$ 1.0163. The AUD was also stronger against other currencies, gaining 6.36% against the UK Pound Sterling, 2.41% against the Japanese Yen and 4.07% against the Euro.

Market moves — as at 31 December 2010

Returns (%) p.a.	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr
Australian Equities							
S&P/ASX 300 Accumulation Index	3.77	4.65	13.34	1.90	-5.04	4.38	8.46
S&P/ASX Small Ordinaries Accumulation Index	7.07	11.20	29.91	13.05	-5.89	5.54	9.27
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	0.47	3.02	2.35	-1.44	-9.11	-3.67	-3.25
S&P 500 Composite Accumulation Index (A\$)	-0.19	4.62	1.57	0.95	-7.74	-4.33	-4.61
FTSE100 Accumulation Index (A\$)	0.47	0.33	4.87	-4.20	-11.53	-3.80	-2.71
MSCI Emerging Markets Free W/Gross Div (A\$)	0.25	1.41	4.53	4.58	-5.06	5.79	9.33
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	1.20	-1.17	2.55	-0.68	-21.36	-9.79	2.20
UBS Global Investors TR Hedged (A\$)*	5.37	7.03	21.48	23.78	-4.19	0.68	n/a
Fixed Interest							
UBS Warburg Composite Bond Index	0.13	-0.09	1.19	6.04	7.43	5.76	5.88
UBS Warburg Bank Bill Index	0.42	1.24	2.46	4.66	5.23	5.69	5.47
BarCap Global Aggregate Index Hedged \$A	-0.02	-0.48	2.97	9.29	8.84	7.50	7.94

Data source: IRESS, Perpetual Funds Management, Morningstar. 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 December 2010

Best Performers		Worst Performers	
Sundance Resources	(+59.72%)	St Barbara Limited	(-20.00%)
Energy World Corpor.	(+50.00%)	The Reject Shop	(-18.81%)
Aurora Oil & Gas	(+47.85%)	Sigma Pharmaceutical	(-13.98%)
Tower Australia	(+46.04%)	Hastie Group Limited	(-13.18%)
Mirabela Nickel Ltd	(+37.76%)	Perpetual Limited	(-12.13%)

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

Australian Equities

The Australian share market finished the month stronger, with the S&P/ASX 300 Accumulation Index rising 3.77%, driven by ongoing strong demand for raw materials. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market in December 2010, gaining 7.07%. Small caps have markedly outperformed the large cap market over the 12 months to December 2010, registering 13.05% compared to 1.90% for the large cap sector.

Global Equities

Global equities were mixed in December. The MSCI World Accumulation Index rose 0.47% in AUD terms. The S&P 500 Composite Accumulation Index (A\$) fell 0.19% while the FTSE100 Accumulation Index (A\$) rose 0.47%.

Emerging markets were slightly stronger in December, with the MSCI Emerging Markets Free W/Gross Div (A\$) rising 0.25%. The Index has risen 4.58% over the past 12 months, outperforming the local large cap equity market.

Other regional markets were stronger in December. In Japan, the Nikkei rose 4.64% for the month, while in Hong Kong the Hang Seng rose by 0.12%. The FTSE gained 6.72%, and in Europe, the German DAX index and the French CAC40 rose by 3.37% and 5.38% respectively.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 1.20%, underperforming the broader domestic equity market for the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 0.68% in the 12 months to December, underperforming the broader market.

The UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) rose 5.37% in AUD terms, underperforming the domestic index. Over the 12 months to December 2010, the UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) was up 23.78% in AUD terms.

Fixed Interest

The Australian bond market was slightly stronger in December, with an abrupt sell-off of US Treasuries and weak economic data in Australia released in early December creating a drag on the market. The UBS Warburg Composite Bond Index rose 0.13% in December while the UBS Warburg Bank Bill Index rose 0.42%. Over the 12 months to December 2010, these indices returned 6.04% and 4.66% respectively.

The BarCap Global Aggregate Index Hedged \$A fell 0.02% in December and has returned 9.29% for the year of 2010.

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