

Economic News

Economic indicators released in September were positive. Australia's unemployment fell back to 5.1% in August, with 53,100 full-time jobs created, outstripping expectations. The August ANZ Job Advertisements Series shows the total job advertisements on the internet and in newspapers increased by 2.6% for the month and 36.01% for the last 12 months, seasonally adjusted.

Gross domestic product (GDP) rose 1.2% in the three months to June 30, from a revised 0.7% in the previous quarter, the highest growth rate since the 2007 June quarter. The main contributors to GDP were household final consumption expenditure (0.9%) and net exports (0.4%). The largest negative contributor was the change in inventories (-0.7%).

Building approval figures fell in August after recording a rise for the previous month, with the total number of Australian dwellings approved for construction falling a seasonally adjusted 4.7%. Approvals for private sector houses fell for a third consecutive month, declining a seasonally adjusted 4.3%.

Retail sales rose 0.3% to \$20.46bn in August, seasonally adjusted. All retail industries rose during the month with cafes, restaurants and takeaway food services showing the largest increase, rising 1.6%.

On 5 October, the RBA Board decided to leave the cash rate unchanged at 4.5%. The RBA statement observed that the global economy grew faster than trend over the

year to mid 2010, but will probably ease back to about trend pace over the coming year. In Australia, credit growth is subdued, and inflation moderate. The RBA believes that with growth in the near term likely to be close to trend, the current setting of monetary policy is appropriate at this time.

Economic indicators in the US were disappointing. The US Labor Department reported that the unemployment rate was unchanged at 9.6% in August, with 14.9 million people currently unemployed. Employment in healthcare increased by 28,000 in August, whilst the largest losses were in the manufacturing sector (27,000).

The Commerce Department reported that retail sales in August rose 0.3%, the second consecutive monthly increase. Positive contributors included grocery and department stores.

The US Consumer Price Index rose 0.3% in August, after rising in July. The core CPI, which excludes volatile food and energy prices, was unchanged for the month. In the 12 months to August, prices rose 1.1%. Energy costs increased 2.3%, and food costs rose 0.2%.

The Australian Dollar (AUD) appreciated sharply against the US dollar, rising 8.40% during September and finished the month at US\$0.9667. The AUD was also stronger against other major currencies, gaining 5.50% against the UK Pound Sterling and 7.35% against the Japanese Yen.

Market moves — as at 30 September 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	4.79	8.29	-3.83	0.65	-7.31	4.16	7.75
S&P/ASX Small Ordinaries Accumulation Index	9.07	16.83	3.29	6.63	-9.47	3.44	7.68
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	0.53	-0.65	-5.52	-2.19	-10.47	-2.87	-4.39
S&P 500 Composite Accumulation Index (A\$)	0.13	-2.91	-6.55	0.41	-9.91	-4.03	-6.05
FTSE100 Accumulation Index (A\$)	0.25	4.52	-2.12	0.43	-11.96	-3.06	-2.97
MSCI Emerging Markets Free W/Gross Div (A\$)	2.15	3.08	2.72	9.87	-4.11	7.83	7.35
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	-0.85	3.77	2.16	-4.52	-24.65	-8.39	2.99
UBS Global Investors TR Hedged (A\$)*	4.85	13.50	8.33	21.84	-10.24	0.10	n/a
Fixed Interest							
UBS Warburg Composite Bond Index	-0.90	1.28	4.92	7.34	7.59	6.19	6.38
UBS Warburg Bank Bill Index	0.37	1.20	2.34	4.30	5.41	5.73	5.51
BarCap Global Aggregate Index Hedged \$A	0.21	3.47	6.93	11.04	9.97	7.82	8.39

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 September 2010

Best Performers		Worst Performers	
Sundance Resources	(+72.41%)	PaperlinX Limited	(-20.72%)
Lynas Corporation	(+39.29%)	TPG Telecom Limited	(-13.14%)
Carnarvon Petroleum	(+29.85%)	Isoft Group Limited	(-10.71%)
Virgin Blue Holdings	(+26.09%)	Carsales.Com Ltd	(-10.58%)
Ausenco Limited	(+25.66%)	Santos Ltd	(-9.79%)

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

Australian Equities

The Australian share market reversed previous losses in September, with the S&P/ASX 300 Accumulation Index rising 4.79%, driven by strong Chinese manufacturing data. The S&P/ASX Small Ordinaries Accumulation Index outperformed the large cap market, gaining 9.07%. Small caps have markedly outperformed the large cap market over the 12 months to September 2010, registering 6.63% compared to 0.65% for the large cap sector.

Global Equities

Global equities were marginally stronger in September. The MSCI World Accumulation Index rose 0.53% in AUD terms. The S&P 500 Composite Accumulation Index (A\$) rose 0.13% while the FTSE100 Accumulation Index (A\$) rose 0.25%.

Emerging markets were stronger in September, with the MSCI Emerging Markets Free W/Gross Div (A\$) rising 2.15%. The Index has risen 9.87% over the past 12 months, outperforming the local equity market.

Most other regional markets were stronger in September. In Japan, the Nikkei rose 6.18% for the month, while in Hong Kong the Hang Seng rose strongly by 8.87%. The FTSE gained 6.19%, and in Europe, the German DAX and French CAC40 indices rose by 5.13% and 6.43% respectively.

REITS (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index fell 0.85%, underperforming the broader domestic equity market for the month. Mixed economic data from overseas, particularly in the US, contributed to the fall. Overall, the S&P/ASX 300 A-REIT Accumulation Index has fallen 4.52% in the 12 months to September, underperforming the broader market.

The UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) rose 4.85% in AUD terms, outperforming the domestic index. Over the 12 months to August 2010, the UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) was up 21.84% in AUD terms.

Fixed Interest

The Australian bond market was mixed in September, with weaker data from the US and speculation about further quantitative easing from the Fed causing US bond markets to strengthen significantly. The UBS Warburg Composite Bond Index fell 0.90% in September while the UBS Warburg Bank Bill Index rose 0.37%. Over the 12 months to September 2010, the bond and cash markets returned 7.34% and 4.30% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 0.21% in August and has returned 11.04% for the year to the end of September 2010.

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