

Economic News

Economic indicators released in November were mixed. Australia's jobless rate rose to a seasonally adjusted 5.3% in October, even after the economy added 20,000 full time positions. The ANZ Job Advertisements Series declined for a fourth consecutive month, falling 0.7% in October. Annual growth slowed to 1.8% for the 12 months to October 2011.

Retail sales rose 0.2% in October (seasonally adjusted), following a 0.4% rise in September 2011. Cafes, restaurants and takeaway food services (0.7%) and household goods retailing (0.6%) rose, whilst clothing, footwear and personal accessory retailing (-0.7%) and department stores (-0.5%) fell.

Consumer prices were lower in November, according to the TD Securities-Melbourne Institute, with the TD-MI inflation gauge declining 0.1% for the month. In the 12 months to November, the inflation gauge rose 2.1%. Contributing to the falls were fruit and vegetables (-2.1%) and fuel prices (-3.5%).

The Australian economy expanded in the September quarter, with GDP increasing by 1.0% in seasonally adjusted terms and annual growth was 2.5%. Household spending rose by 1.2% in the quarter, whilst business investment also rose 12.9%. The main detractors to GDP were inventories (-0.8%), net exports (-0.6%) and public spending (-0.6%).

On 6 December, the RBA Board lowered the cash rate by 0.25% to 4.25%. The RBA statement observed that growth in the global economy had moderated this year and that sovereign credit and banking problems in Europe continue to weight on economic activity.

Financial markets continue to experience volatility and financing has become much more difficult, especially in Europe. While commodity prices have weakened, taking

pressure off inflation, firms and households remain cautious. In Australia, whilst investment in the resources sector is strong, other sectors are experiencing a period of weakness. The unemployment rate has started to increase in the last 6 months, although it remains close to 5%.

With overall growth moderating, inflation likely to be close to target and confidence subdued outside the resources sector, the RBA Board concluded that there was scope for a modest reduction in the cash rate.

Economic indicators released in the US in October were mixed. Inflation in the US fell 0.1% for a year-on-year rise of 3.5%. Lower energy prices over the month offset modest rises in food costs and other items. The falls on the energy index were led by a 3.1% drop in petrol prices.

The US Labor Department reported that the unemployment rate fell to 8.6% in November, the lowest level since March 2009. Non-farm payroll figures rose by 120,000 last month, with most of the growth driven by private companies, which added 140,000 jobs. Cuts in the public sector led to the loss of 20,000 jobs.

Consumer confidence increased to 56 in November from a revised 40.9 reading in October, the biggest monthly gain since April 2003, according to research group The Conference Board. Output from manufacturing picked up 0.5% in October and mining output also rose in October, gaining 2.3%.

The Australian dollar (AUD) depreciated against the US dollar in November, falling 4.64% to end the month at US\$1.0021. The AUD was mixed against other currencies, rising 0.07% against the Euro, but falling 2.36% against the British pound sterling, and 6.22% against the Japanese Yen.

Market moves — as at 30 November 2011

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	-3.44	-2.95	-10.33	-6.27	8.14	-1.40	6.57
S&P/ASX Small Ordinaries Accumulation Index	-3.71	-7.15	-13.04	-12.09	15.03	-3.57	7.13
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	0.81	2.66	-8.15	-4.76	-2.96	-6.47	-2.64
S&P 500 Composite Accumulation Index (A\$)	3.05	7.28	-2.76	0.67	-1.96	-5.30	-3.87
FTSE100 Accumulation Index (A\$)	0.48	3.64	-7.14	-2.71	-2.33	-7.59	-1.70
MSCI Emerging Markets Free W/Gross Div (A\$)	-3.60	-5.84	-16.25	-17.16	6.50	-1.47	7.63
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	2.65	1.66	-2.89	2.23	-0.51	-13.57	1.10
UBS Global Investors TR Hedged (A\$)*	-3.16	-4.17	-10.79	5.53	19.96	-5.26	n/a
Fixed Interest							
UBS Warburg Composite Bond Index	1.73	2.06	6.42	10.54	6.47	7.17	6.28
UBS Warburg Bank Bill Index	0.39	1.20	2.47	5.02	4.39	5.51	5.44
BarCap Global Aggregate Index Hedged \$A	-0.20	1.19	4.66	8.43	9.50	8.23	7.90

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 November 2011

Best Performers		Worst Performers	
Murchison Metals Ltd	(+31.67%)	White Energy Company	(-72.32%)
Beach Energy Limited	(+19.49%)	BlueScope Steel Ltd	(-46.91%)
Resolute Mining	(+17.72%)	Gunns Limited	(-42.59%)
Cudeco Limited	(+17.57%)	OM Holdings Limited	(-36.07%)
NRW Holdings Limited	(+16.73%)	OneSteel Limited	(-32.93%)

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

Australian Equities

The Australian share market weakened in November, with the S&P/ASX 300 Accumulation Index falling 3.44%. The S&P/ASX Small Ordinaries Accumulation Index also fell in November by 3.71%, marginally underperforming the large cap market. The small cap market underperformed the large cap market over the 12 months to November, registering a loss of 12.09% compared to a fall of 6.27% for the large caps.

Global Equities

Global equities posted a small gain in Australian dollar terms for the month, with the MSCI World Accumulation Index rising 0.81%. The S&P 500 Composite Accumulation Index (A\$) and the FTSE100 Accumulation Index (A\$) also rose, gaining 3.05% and 0.48% respectively in AUD terms.

Emerging Markets were weaker than broader global equities markets in November, with the MSCI Emerging Markets Free W/Gross Div (A\$) falling 3.60%. The Index has fallen over 17% over the past 12 months, underperforming developed equity markets, represented by the MSCI World Accumulation Index.

Asian markets fell in November. In Japan, the Nikkei lost 6.2% for the month, while in Hong Kong the Hang Seng fell 9.4%. The Shanghai Composite was also weaker for the month, falling 5.5% in local currency terms. In Europe, the German DAX index fell 0.85% in November while the French CAC40 fell 2.7% in local currency terms.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index rose 2.65%, outperforming the broader domestic equity market for the month, as overseas financial difficulties contributed to volatile markets and investors looked to protection in defensive sectors such as REITs. Overall, the S&P/ASX 300 A-REIT Accumulation Index gained 2.23% for the 12 months to the end of November, outperforming the broader market.

The UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) fell 3.16% in November, underperforming the domestic index. However, over the 12 months to November the Index gained 5.53% outpacing the domestic market.

Fixed Interest

The Australian bond market was stronger in November, after the Reserve Bank of Australia's decision to cut interest rates. The UBS Warburg Composite Bond Index rose 1.73% in November, while the UBS Warburg Bank Bill Index rose 0.39%. Over the 12 months to November, these indices returned 10.5% and 5.0% respectively.

The BarCap Global Aggregate Index Hedged \$A fell 0.2% in November and has returned 8.4% over the last 12 months.

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