

Economic News

Economic indicators released in January were mixed. Australia's jobless rate was steady at a seasonally adjusted 5.2% in December; however total employment fell by 29,300 jobs. Analysts had expected 10,000 jobs to be created. Total job creation for 2011 was close to zero. The participation rate fell to 65.2%, the lowest level since May 2010.

The ANZ Job Advertisements Series was fell 0.9% in December, while the annual Series growth fell 2.6% for the 12 months to December 2011, the first negative reading for the annual Series since February 2010.

Retail sales rose for a fifth consecutive month in December (seasonally adjusted); however sales fell 9.3% for the year, as measured by the CBA Business Sales Indicator. Sales at "miscellaneous" stores fell 8.2% in trend terms, while sales at mail order and telephone order providers rose 19.4% and clothing sales were up 10.8%.

Consumer prices were unchanged in the three months to December. Fruit prices dropped 13.4% in the quarter, while vegetable prices fell 5%. This result was the lowest since the December quarter of 2008. The core measure of inflation was 0.6% for the quarter, which was in line with forecasts.

November Building Approval figures, seasonally adjusted, rose 8.4%, following a sharp fall in October. Despite this result, building approvals remain 18.9% lower than November 2010. Sales of new homes rose 6.8% in November, after a 2.8% rise in October, according to the Housing Industry Association.

On 7 February, the Reserve Bank of Australia (RBA) Board decided to leave the official cash rate remained unchanged at 4.25%. The Board noted that interest rates are close to their

medium-term average, as a result of the actions at the Board's previous two meetings. With growth expected to be close to trend and inflation close to target, the Board judged that the setting of monetary policy was appropriate for the moment. Should demand conditions weaken materially, the inflation outlook would provide scope for easier monetary policy.

Economic indicators released in the US in December were also mixed. Inflation in the US was unchanged in December, following a similar result in November. Overall inflation was held back by gasoline prices, which fell 2.0% – declining for a third straight month. Food prices rose a modest 0.2% after rising 0.1% in November. In the 12 months to December, core inflation increased by 2.2% after rising by the same margin in November.

The US Labor Department reported that the unemployment rate fell to 8.3% in January, the lowest level since February 2009. Nonfarm payrolls jumped 243,000, representing the largest gain since April 2011 and far exceeding the 150,000 new jobs predicted by analysts.

US Consumer confidence fell to 61.1 from a revised 64.8 in December, according to research group The Conference Board. The ISM-Chicago's business barometer fell to 60.2 from 62.2 in December, which was lower than analyst forecasts.

The Australian dollar (AUD) appreciated against the US dollar in January, rising 4.74% to end the month at US\$1.0637. The AUD was stronger against other currencies for the month, rising 2.75% against the Euro, 2.58% against the British pound sterling and 2.92% against the Japanese Yen.

Market moves — as at 31 January 2012

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	5.08	0.06	-1.20	-6.17	11.21	-1.70	6.55
S&P/ASX Small Ordinaries Accumulation Index	7.75	-0.71	-6.83	-13.46	16.48	-4.11	6.90
Global Equities							
MSCI World Acc Index with Gross Div (A\$)	1.34	2.35	-0.58	-8.48	-1.31	-7.15	-2.51
S&P 500 Composite Accumulation Index (A\$)	0.79	5.14	6.16	-2.23	0.48	-5.82	-3.87
FTSE100 Accumulation Index (A\$)	-0.04	0.70	-1.32	-7.23	0.04	-8.29	-1.78
MSCI Emerging Markets Free W/Gross Div (A\$)	7.43	2.53	-6.42	-12.15	7.53	-1.29	6.83
REITS (Listed Property Securities)							
S&P/ASX 300 A-REIT Accumulation Index	5.40	5.44	7.43	1.36	7.69	-14.70	1.31
UBS Global Investors TR Hedged (A\$)*	6.13	5.13	-0.94	6.23	25.88	-5.21	n/a
Fixed Interest							
UBS Warburg Composite Bond Index	0.14	2.67	5.05	10.51	5.86	7.33	6.47
UBS Warburg Bank Bill Index	0.39	1.19	2.44	4.96	4.37	5.45	5.45
BarCap Global Aggregate Index Hedged \$A	1.33	3.05	6.24	11.89	9.98	9.01	8.23

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 January 2012

Best Performers		Worst Performers	
Kagara Ltd	(+35.29%)	Mirabela Nickel Ltd	(-17.86%)
Paladin Energy Ltd	(+34.31%)	Navitas Ltd	(-17.71%)
Kingsgate Consolidated Ltd	(+34.21%)	Aurora Oil & Gas Ltd	(-13.27%)
FKP Property Group	(+32.29%)	QBE Insurance Group Ltd	(-11.51%)
Lynas Corporation Ltd	(+26.79%)	Alacer Gold Corp	(-9.66%)

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

S&P/ASX 200 Stock Performance for the Year to January 2012

Best Performers		Worst Performers	
Iluka Resources	(+116.04%)	White Energy Company	(-85.42%)
Regis Resources Ltd	(+105.68%)	BlueScope Steel Ltd	(-77.45%)
Silver Lake Resources Ltd	(+95.21%)	Energy Resources of Australia Ltd	(-76.83%)
Sigma Pharmaceuticals	(+95.21%)	Billabong	(-76.79%)
Beach Energy Limited	(+87.34%)	OneSteel Limited	(-72.79%)

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

Australian Equities

The Australian share market recovered some lost ground in January, with the S&P/ASX 200 Accumulation Index gaining 5.08%. The S&P/ASX Small Ordinaries Accumulation Index outperformed large cap market in January, rising 7.75% for the month. The small cap market has underperformed the large cap market in the year to January, registering a loss of 13.46% compared to a fall of 6.17% for the large caps.

Global Equities

Global equities posted a gain in Australian dollar terms for the month, with the MSCI World Accumulation Index rising 1.34%. The S&P 500 Composite Accumulation Index (A\$) and the FTSE100 Accumulation Index (A\$) were mixed, returning 0.79% and -0.04% respectively in AUD terms.

Emerging Markets started 2012 strongly, with the MSCI Emerging Markets Free W/Gross Div (A\$) gaining 7.43%. The Index has fallen 12.15% over the past 12 months, underperforming developed equity markets, represented by the MSCI World Accumulation Index.

Overseas markets were stronger in January. In Japan, the Nikkei rose 4.11% for the month, while in Hong Kong the Hang Seng gained 10.61%. The Shanghai Composite ended the month in positive territory, gaining 4.24% in local currency terms. In Europe, the German DAX index rose 9.50% in January while the French CAC40 rose 4.39% in local currency terms.

REITs (Listed Property Securities)

The S&P/ASX 300 A-REIT Accumulation Index gained 5.40%, marginally outperforming the broader domestic equity market for the month. Overall, the S&P/ASX 300 A-REIT Accumulation Index rose 1.36% in the year to January, outperforming the broader equity market.

The UBS Global Real Estate Investors Index (Total Returns) Hedged (A\$) rose 6.13% in January, outperforming the domestic index. For the 12 months to January, the Index gained 6.23%, outpacing the domestic REIT market.

Fixed Interest

The Australian bond market posted a small gain in January; however returns were muted as risk assets performed strongly. The UBS Warburg Composite Bond Index rose 0.14% in January, while the UBS Warburg Bank Bill Index rose 0.39%. Over the 12 months to January, these indices returned 10.51% and 4.96% respectively.

The BarCap Global Aggregate Index Hedged \$A rose 1.33% in January and has returned 11.89% for the year to January 2012.

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