Market Quarterly Commentary

September - 2009

A great quarter for investors

There were very few asset classes that did not enjoy a good September quarter. Further signs of some stability in world growth rates encouraged investors to employ some of the huge amount of cash still on the sidelines, while the fiscal stimulus and low interest rates still prevalent in all developed economies has encouraged consumers to spend. Despite these encouraging signs of recovery, expectations for growth in 2010 and even 2011 remain modest, with the 'New Normal' of lower growth and likely lower financial market returns becoming generally accepted.

Over the quarter share markets enjoyed one of the strongest quarters in history. Australian shares rose by 22% again led by Industrials while Resources lagged the broader market. The best performing sectors included Financials, Consumer related shares, where the improvement in retail sales has encouraged investors, while Energy and Materials were left behind on the view that with economic growth likely to be slow, commodity prices will not test old highs for some time. The Telco sector was the weakest with Telstra share price hit by the Government's plans for structural separation of the company which may hit profits.

Unhedged Global shares rose by 7% over the quarter, hedged investors reaped a 15% return over the period as the $A continued its recovery from the low point of US$0.60 nearly 12 months ago with a further 9% rise against the US$. The quarter also saw a wide range of returns between different regions. In the developed markets France Germany and the UK performed strongly but the US and Japan were laggards, with Japan actually showing negative returns, as the Japanese economy slipped back into deflation.

Listed Property Trusts again outperformed the broader share market in the quarter rising by 30%, but longer term returns are still well behind. Investors have taken heart from the rights issues and repayment of debt which has improved the health of many companies in this sector, though the rally has been from very depressed levels. Unlisted property continued to run on the spot with valuations still under downwards pressure..

Bond market returns were positive but could not keep up with the exceptional returns from share markets.

The disaster scenario that was looked for from the masochistic commentators has seemingly been averted, however world economic activity is likely to remain sluggish for some time. Share markets have as usual run ahead on the hope of a recovery, but there is no certainty that these good returns have discounted all potential pitfalls. Further signs of stability are needed before the caution signs can be fully put away.

Market Performance - September 2009	Performance (income and capital gain or loss) %	
	Quarter	Year
Australian Shares (S&P/ASX 300 Accumulation)	21.6	8.5
International Shares (MSCI World ex-Aust)	7.2	-12.8
International Shares (MSCI World ex-Aust) hedged	15.2	-6.6
Unlisted Property		
Listed Property Trusts	30.8	-23.0
Australian Bonds (UBSA Composite Index)	1.8	7.1
Cash (UBSA Bank Bill)	0.8	4.3
Appreciation of $A against $US	9.2	11.9