



ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

MARCH 2011

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In his role as Investment Analyst, Chris closely monitors fund managers in terms of performance, operational activities and compliance as well as performing internal analytics on the fund.

Market review

March saw modestly positive equity (share) market returns in Australia, with the rest of the world trailing behind and finishing the month with negative returns.

The Australian share market returned 0.67% after recovering from a significant sell-down earlier in the month, due to the Japanese earthquake and tsunami. Global shares also recovered somewhat, but not to the same extent, finishing the month in negative territory with a return of -2.63%. Adjusting for currency improves the matter marginally, with a hedged return of -1.14% as the Australian dollar appreciated against all major currencies except the Euro.

Fixed interest markets produced average returns for the month, with Australian government bonds returning 0.63%, compared with global government bonds which returned 0.22% on a hedged basis.

Once again, interest rates were left on hold with the Reserve Bank of Australia seemingly comfortable with its current level of monetary policy. The RBA seems conscious of the risks of increasing interest rates too quickly and the effects that this may have on foreign trade through further appreciation of the Australian dollar.

Economic news

Global events drove financial markets in March. The tragedy in Japan resulted in a significant sell-off in equity

Monthly economic e-news



markets, with the Japanese market suffering the worst. It experienced a 19% fall in the week following the disaster, albeit with the remainder of the month seeing a rebound of over 13%.

Following a tragedy of these proportions, the economic side of the equation seems inconsequential when weighed up against the loss of life that was suffered. However, in order to provide some analysis on the catastrophic events that unfurled we can look back at a previous occasion, which is broadly comparable.

In January 1995, Japan suffered another catastrophic earthquake at Kobe, killing an estimated 6,434 people and causing damage worth ten trillion yen. In the following six months the Japanese stock market fell by nearly 24% as productivity was dramatically slowed down and its Gross Domestic Product (GDP) suffered a hit of 2.5%. In the following 12 month period, however, the market rebounded by over 55%. This was due to the economy being given a huge stimulus, caused by the massive rebuilding project required to repair and regenerate many parts of the city.

Economies tend to follow this pattern after a natural disaster has occurred. At the beginning we see an initial sell-off of equities, as many industries come to a halt. However, this is followed by a period of growth, as rebuilding efforts provide economic stimulus.

It is too early to tell what the final impact of this disaster will be, particularly as on this occasion there is the added unknown surrounding a potential nuclear threat from the power plants hit by the tsunami.

Elsewhere, the US is showing more signs of recovery with the unemployment rate falling to below 9% for the first time since April 2009. The market reacted positively to this, with a 5.5% increase in the US market in the final two weeks of March.

Investment markets snapshot

Investment type	February performance
Australian Equities	0.67%
International Equities (Unhedged)	-2.63%
Australian Listed Property Trusts	-1.82%
Australian Government Bonds	0.63%
International Government Bonds	0.22%

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