



**ENERGY INDUSTRIES®**  
SUPERANNUATION SCHEME

# DECEMBER 2010

## Chris Drew Investment Analyst

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

The Australian equity market rose by 3.66%, while global markets rose 0.32% on an unhedged basis and 5.7% on a hedged basis as the Australian dollar appreciated by nearly 7% against the US dollar for the month and 14% for the calendar year.

Government bonds were flat during the month as investors sought riskier assets and were put off by the low yields offered by government bonds.

There were no rate changes in December as the Reserve Bank appears to be comfortable with the current levels of interest rates given the inflation outlook.

## Focus on the US

In what is traditionally a quiet month in the lead up to Christmas and New Year's celebrations, there was little to report in December. There was however one encouraging piece of news released towards the end of the month; the number of people claiming unemployment benefits in the US dropped to 388,000. At first glance this may not seem to be encouraging, but compared to the peak of

## Monthly economic e-news



651,000 in March 2009 and even 453,000 at the end of October 2010 it is significant and reassuring.

We have been saying for some time that an improvement in employment figures is required if we are to see a sustained improvement in the US economy. It is only when unemployment falls and business productivity is generated from sources other than job-cutting and consumers become more confident to go out and spend that we will be able to see a full recovery. This is the first sign that there may be some light at the end of a very long tunnel.

One thing that we have been watching closely as stock markets have rebounded since March 2009 is what has driven the increase in profits that many companies have achieved in 2009 and 2010. To date, it has largely come as a result of reduced costs (mainly wages) rather than an increase in revenue, which is what you'd like to see under normal circumstances. Hopefully, this unemployment benefits result signifies the end of cost cutting and the start of revenue-driven profit increases instead.

All of this does not mean, though, that economic growth is about to return to pre-Global Financial Crisis levels and it is very important to bear in mind that this latest data does not show businesses rehiring, but merely that they are cutting jobs at slower rates. In fact, the number of continuing claims (that is the number of people claiming unemployment benefits more than once) increased in December to 4.1 million, which demonstrates that businesses are not yet in the rehiring phase. Additionally, the unemployment rate rose in early December to 9.8%, which further emphasises that there is a long way to go before we can start talking about a full recovery but it does give the optimists a glimmer of hope for 2011.

## Investment markets snapshot

Investment type	December performance
Australian Equities	3.66%
International Equities (Unhedged)	0.32%
Australian Listed Property Trusts	1.21%
Australian Government Bonds	-0.09%
International Government Bonds	0.00%

Please note that the information contained in this document is of a general nature only and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Any advice in this document is provided by FuturePlus Financial Services Pty Ltd (ABN 90 080 972 630) as an Australian Financial Services Licensee (AFSL 238445) on behalf of the Trustee of the Energy Industries Superannuation Scheme, Energy Industries Superannuation Scheme Pty Ltd (ABN 72 077 947 285). Energy Industries Superannuation Scheme Pty Ltd is an APRA Registrable Superannuation Entity Licensee (ABN Pool A - 22 277 243 559 and ABN Pool B - 64 322 090 181). Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any investment decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership and seek professional investment advice.