



ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

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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

February was a volatile month in global equities (shares), due largely to the political unrest in North Africa and the Middle East. The month started and ended strongly, causing the Australian share market to return 2.32%. Global share markets (unhedged) as measured by the MSCI World ex-Australia Index, returned just under 0.5% for the month.

It is often the case where there is share market volatility that nery investors opt to invest in bonds. This was the case in February, with both Australian and global sovereign bonds producing small positive returns, with performances of 0.42% and 0.32% respectively.

There were no interest rate adjustments in February, with the Reserve Bank of Australia seeming keen to leave rates as they are for an extended period. This is despite some recent inflation caused mainly by higher oil and food costs.

Economic news

In global terms, the economies of countries like Tunisia, Egypt and Libya are viewed as of lesser significance than others. So why should the recent unrest in these countries be of widespread concern to professional investors?

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Monthly economic e-news



The answer is simple: oil. But we must also look at the root cause for the whole story.

There has been a significant increase in the younger populations in these countries in recent years. However, although there has been an increase in the standards of education, unemployment levels remain high. This has been a cause of some discontent.

There are an estimated 15 million Facebook users in North Africa and the Middle East, with a large percentage aged under 25. Their messages of dissatisfaction with high unemployment, increasing cost of living and general discontent at what are perceived to be oppressive regimes, can now be voiced online.

The biggest fear amongst investors now is how quickly these online messages can now spread to other countries in the region and what effect this will have on the supply of oil, particularly with Libya holding the ninth highest reserves of oil in the world.

The US actually reported an improving economy in February, with an increase in consumer spending and a further reduction in job losses. However, this has been overshadowed by the fear that oil prices may jump to as high as US\$220 per barrel in the medium term. This could bring an abrupt halt to any economic recovery as higher petrol and food prices lead to increased costs for business and a downturn in consumer spending once again.

In summary, there is clearly a risk that this unrest will spread to other countries. What this means to the supply levels and resulting price of oil is unknown. Stock markets do not appear to be overly cautious in the short-term, but these risks do exist. It will be interesting to see how the situation plays out.

I would like to acknowledge and thank Simon Hunt Strategic Services Limited for providing much of the research and data upon which this article is based.

Investment markets snapshot

Investment type	February performance
Australian Equities	2.32%
International Equities (Unhedged)	0.49%
Australian Listed Property Trusts	3.23%
Australian Government Bonds	0.42%
International Government Bonds	0.32%