



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.



Economic overview

August continued where July left off with further rallies in domestic and global financial markets.

There was a lot of positive economic news released throughout August. In Australia, unemployment remained unchanged at 5.8%, whilst year-on-year house prices fell much less than expected with a result of -1.4%. The static unemployment rate indicates that the economy may have stopped contracting which has contributed to growing confidence amongst businesses, investors and consumers. The house price fall of only 1.4% was also big news to the market, which was expecting somewhere in the region of a 5% drop. This relatively strong result has been largely supported by low interest rates and the extension of the first home-buyers grant. These measures look to have achieved the desired result of supporting the housing market in the short term but there are still concerns about the effects that this artificial stimulus will have when it is removed.

The United States' economy looks to have stabilised somewhat. Like Australia, the rate of unemployment fell in August and there was a large increase in new home sales. This news, interpreted by some to mean that the worst is definitely behind us, certainly sparked a feeling of optimism in the market. However, it seems premature to expect a few good economic indicators will quickly erase the losses that were suffered in the eighteen months up to March of this year. Nor is all the news good; the

Monthly economic e-news



fallout from sub-prime loans (for many the catalyst of the global financial crisis) continues with an estimated 40% of Americans still in negative equity. The US economy is currently being helped by extremely low interest rates and continued support from the Federal Reserve. So, as in Australia, the question being asked is when this stimulus is removed what effect will it have on the economy and future economic growth? Only time will tell.

One major talking point in August was the arrival in Australia of the much-renowned economist, Dr Nouriel Roubini. The highlight of this tour was his speech to the CFA Institute in Sydney on current economic views and his outlook for the world economy. On the positive side he believes that the global recession will be over by the end of the calendar year. This does not mean, though, that it will be plain-sailing for the next four months and beyond. On the contrary, Dr Roubini stated that he has concerns for short-term deflation as the effects of over-leveraging continue to be felt. Beyond this, there is the risk of high levels of inflation due to the significant amount of government stimulus around the world. This, in turn, brings with it the likelihood of higher interest rates, increased consumer savings and expensive corporate debt, which will have a slowing effect on the world economy as the cycle continues.

In conclusion, the general feeling in the market at the current time can be summed up with:

1. The worst of the global financial crisis is behind us and the market did bottom in early March, largely due to significant stimulatory measures by governments
2. The recovery may take longer than many have suggested and is unlikely to follow a smooth upwards trend with ongoing pressure on companies and individuals to reduce debt levels in order to remain financially viable.

Investment markets snapshot

Investment Type	Performance
Australian Equities	6.6%
International Equities (Unhedged)	2.5%
Australian Listed Property Trusts	16.0%
Australian Government Bonds	0.7%
International Government Bonds (Hedged)	1.0%

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