



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

Share markets rallied in September with the S&P/ASX 200 Accumulation Index rising by 4.6% and produced an impressive 8% return for the quarter. Global shares also performed strongly with the MSCI World ex-Australia Hedged Index (a measure of share performance in developed markets) returning 6.8% for the month and 9.4% for the quarter. With uncertainty still a feature of global economies, investors are focussing on individual companies to find the best equity returns.

Interest rates in Australia were left on hold for a fifth consecutive month*. The Reserve Bank seems content to leave interest rates at 4.5% in the short term, reasoning that "With growth in the near term likely to be close to trend, inflation close to target and with the global outlook remaining somewhat uncertain, the Board judged this setting of monetary policy to be appropriate for the time being" (Stevens 2010). It appears that with all main economic factors for the moment at or close to their long-term trend, the RBA feels that the interest rate can also stay close to its long-term trend of between 4.5% - 5.5%.

*At the time of writing the RBA has announced that rates will remain at 4.5% for a further month with the next review to take place on 2nd November.

Monthly economic e-news



There appears to be a minor slowdown in the Australian housing market with new home sales and building approvals for the month down 2.6% and 4.7% respectively. There are a wide range of views as to what is going to happen with Australian housing over the coming months and years after a sustained period of double-digit price rises. Just how it will play out is anybody's guess, but it is unlikely that the strong growth in housing prices that we saw in this period can continue.

European debt came back on the radar during September with the Anglo-Irish Bank having its senior debt downgraded by ratings agency Moody's to below investment grade, greatly increasing the risk of holding debt issued by Anglo-Irish. Anglo-Irish Bank is wholly owned by the Irish government so the significance of this downgrade relates more to the state of the Irish economy rather than the health of the bank itself. It is unlikely to have a major effect on the rest of the world as the Republic of Ireland ranks just 39th largest in terms of GDP, but it is a reminder of the ongoing problems facing many European nations.

It was a quiet month for the United States with the major economic indicators coming in unchanged. There were a few causes for concern however. Firstly, the number of people continuing with unemployment benefit claims increased in the month indicating that the general public are finding it difficult to get back into the workforce. Secondly, GDP remains very weak with an annualised rate of 1.7% indicating that the economy is growing, but at a very slow pace. Comparing this to a rate of 3.3% in Australia and a long-term US rate of around 3% it is clear that it is going to be a long road to recovery for the US.

Investment markets snapshot

Investment type	Performance
Australian Equities	4.62%
International Equities (Unhedged)	0.33%
Australian Listed Property Trusts	-0.90%
Australian Government Bonds	-0.99%
International Government Bonds	-0.02%