



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

June saw negative equity (share) market returns in Australia of -1.80%. The market continued to be weighed down by signs that economies are generally slowing and by concerns that Greece will default on its government debt, which could potentially have far-reaching consequences on the global economy.

In Fixed Interest markets Australian government bonds returned 0.55%, while global government bonds returned 0.24%, on a hedged basis.

Once again, the Reserve Bank of Australia (RBA) decided to leave interest rates unchanged at 4.75%, comfortable with its view that "the current mildly restrictive stance of monetary policy remained appropriate". The RBA also noted that "in future meetings, the Board will continue to assess carefully the evolving outlook for growth and inflation".

Economic news

In June, the US Federal Reserve completed its second and final debt purchase, under its \$600 billion round of asset purchases (known as 'quantitative easing' or 'QE2'). Despite this, the Federal Reserve continues to keep interest rates "exceptionally low" for an "extended period."

With interest rates as low as zero in the US and Japan, there is strong investor demand for higher-yielding assets, which continues to contribute to the strength of the Australian Dollar against the US Dollar.

Monthly economic e-news



As much as US \$4.1 trillion was erased from the value of global shares since May, when the value had reached an almost three-year high of US \$56.1 trillion. Share values fell as data showed signs of a slowdown in economic activity.

In the US the unemployment rate reached 9.1% in May and data showed that confidence among US consumers has further diminished. Home values in 20 US cities declined by 4% in the 12 months up to April 2011, according to the S&P/Case-Shiller index. China reported a smaller-than-estimated trade surplus and the rate in growth in UK manufacturing slowed down more than economists had forecast.

Markets were also hit by the continued economic trouble in the 'euro-zone' (in other words, the group of countries in which the euro (€) is the currency used). The Greek Prime Minister, George Papandreou, fought a legislative battle for the austerity plan and withstood a confidence vote, staving off default. He won parliamentary approval to implement a €78 billion (US \$112 billion) package that was a condition of receiving further EU aid. Markets rallied in response to the passing of the Greek austerity package but the strong finish to the month wasn't enough to erase the early losses.

Despite the passing of the austerity package, the risk of further trouble remains. Greece's debt is unsustainable and is due to surpass 160% of its Gross Domestic Product (GDP) in the months to come. The austerity plan does not reduce Greece's debt and the country cannot finance its own budget deficit. It will run out of money by mid-July without financial help from the rest of the European Union and the International Monetary Fund (IMF).

Every quarter, before the euro-zone countries and the IMF release the next tranche of aid, they must decide whether or not Greece is on track. The Greek government faces a huge challenge in trying to deliver the proposed spending cuts. To provide an insight into the size of the challenge faced by the Greek government, in 2009 the Greek railways collected just €174m in fares and other revenue. Meanwhile, it had spent €246m on wages and made a total loss of €937m (US \$1.35 billion).

Investment markets snapshot

| Investment type | June performance |
|---|------------------|
| Australian Equities | -1.80% |
| International Equities (Unhedged) | -2.07% |
| Australian Listed Property Trusts | -0.70% |
| Australian Government Bonds | 0.55% |
| International Government Bonds (Hedged) | 0.24% |