



**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

May saw negative equity (share) market returns in Australia. The market returned -1.97%, having been dragged down by the performance of the banking sector and the prospect of renewed economic trouble in countries where the Euro is the currency used.

In Fixed Interest markets Australian government bonds benefited from heightened European concerns and increased uncertainty over the economic outlook in the US, returning 1.35%. Global government bonds returned 1.46% on a hedged basis.

Once again, the Reserve Bank of Australia decided to leave interest rates unchanged at 4.75%, comfortable in its view that *"this represents a mildly restrictive stance of monetary policy, which the Board has viewed as appropriate over this period, given the general outlook facing the Australian economy"*.

The RBA also noted that the current economic outlook *"suggests that further tightening of monetary policy is likely to be required at some point for inflation to remain consistent with the 2-3 per cent medium-term target."*

## Economic news

The United States Federal Reserve plans to complete its second round of asset purchases, (known as quantitative easing or 'QE2') in June, while keeping interest rates "exceptionally low for an extended period." With interest

## Monthly economic e-news



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

In the US the S&P 500 declined by 1.4% (unhedged) in May, falling from an almost three-year high on April 29 due to concern about Europe's debt crisis. Despite this setback, the S&P 500 rose approximately 7% year-to-date, amid higher-than-forecast corporate profits and government stimulus measures.

The prospect of a weakening housing market and slowing demand for mortgage lending, triggered a decline in shares of the big four banks with the S&P ASX Financials index down by 5.17%.

The Australian housing market continues to slow down with house prices falling 2.1% in the first quarter of the year. Auction clearance rates - a general barometer of overall demand - have been below 60%. This is down from highs of 80% in the Melbourne and Sydney areas last year. RBA data shows housing credit remained soft during April, growing by just 0.4%. Annual housing credit growth is now running at 6.4%, its slowest pace in 35 years.

China's manufacturing expanded at the slowest pace in nine months in May. India's growth in three months to March 31 was the weakest in five quarters, and Japan's industrial production in April rose less than economists had forecast. Those three countries accounted for 51% of Australia's total exports so far this year.

Global markets were negatively impacted by the threat of further economic trouble in Europe. Markets improved in late May as European Union leaders confirmed that they will make a decision about additional aid for Greece by the end of June, but have ruled out a "total restructuring" of its debt.

## Investment markets snapshot

Investment type	May performance
Australian Equities	-1.97%
International Equities (Unhedged)	0.70%
Australian Listed Property Trusts	-0.01%
Australian Government Bonds	1.35%
International Government Bonds (Hedged)	1.46%

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