

May 2010

## The Pulse

CPI – ↑ 0.9% to 2.9%  
Cash rate - ↑ 0.25% to 4.5%  
Unemployment – steady at 5.3%  
Business confidence - ↓ 3 points to 16 points

## In Brief

- **Europe's sovereign debt crisis worsens, prompting a €750 billion bail-out fund**
- **Spending bolsters US economy, while exports drop**
- **Resources continue to strengthen despite Government's 40% tax**

## Global economies

The ongoing Greek debt crisis took a turn for the worse during April as their long-term foreign currency (sovereign) rating was downgraded by Standard and Poor's (S&P).

Making matters worse, S&P also downgraded the rating of fellow European Union (EU) member Portugal, increasing the widespread perception that similar problems may spread across other European countries with high debt levels. In an attempt to bail out Greece and stop the crisis worsening, the European Union (EU) and International Monetary Fund (IMF) put together an initial financial support package of €110bn. They've since announced a €750 billion bail-out fund to support struggling European economies and to boost the Euro.

On the other side of the Atlantic, a combination of positive economic reports and a better than expected first quarter reporting season added support to the view that the US economic recovery is continuing. This was confirmed by higher growth in consumer spending and an increase in business equipment investment. While this is certainly good news, lower residential and commercial construction and a drop in net exports were a drag on growth.

In China, strong expansionary numbers continue to worry the monetary authorities. The latest attempt to reign in lending growth has seen banks told to stop lending for the purchase of third homes. It's also hoped this will help prevent the problem of large increases in house prices in some cities.

Overall though, the Chinese economy continued to grow at a relatively strong rate, with official GDP growth at 11.9% for the year ending March 2010.

On the domestic front, strong global and Chinese-led demand for resources continues to boost the Australian economy. Domestic demand, on the other hand, seems to be mixed; with positive indicators including increases in business and consumer confidence, employment growth and capital expenditure countered in part by retail sales and building approvals.

Not surprisingly, with higher than average levels of business and consumer confidence, house prices in Australia continued to rise strongly through the March quarter.

And, continuing the positive news the IMF upgraded its forecast for global economic growth for 2010 by 0.3% to 4.2%, while leaving its forecast for 2011 unchanged at 4.3%.

## April Market Performance

### Key Indicators Summary

Equity Markets - Price Indices		At Close	% Change	% Change
	Index	30/04/2010	1 Month	12 Months
Australia	All Ordinaries	4833.88	-1.2%	29.1%
Japan	Nikkei	11057.40	-0.3%	25.3%
Hong Kong	Hang Seng	21108.59	-0.6%	36.0%
UK	FTSE 100	5553.29	-2.2%	30.9%
Germany	DAX	6135.70	-0.3%	28.6%
US	Dow Jones	11008.61	1.4%	34.8%
EMU*	Euro 100	2236.06	-2.3%	26.2%
World**	MSCI - Ex Aus	867.01	0.2%	30.3%

Property - Price Index		At Close	% Change	% Change
	Index	30/04/2010	1 Month	12 Months
Listed Trusts	ASX A-REITS	899.85	3.7%	27.9%

Interest Rates		At Close	% Change	% Change
		30/04/2010	1 Month	12 Months
Aust 90 day Bank Bills		4.63%	0.1%	1.6%
Australian 10 year Bonds		5.71%	-0.1%	1.0%
US 90 day T Bill		0.02%	0.0%	-0.1%
US 10 year Bonds		3.66%	-0.2%	0.5%

Currency		At Close	% Change	% Change
		30/04/2010	1 Month	12 Months
US dollar	A\$/US\$	0.9243	0.7%	27.2%
British pound	A\$/STG	0.6054	0.2%	23.3%
Euro	A\$/euro	0.6948	2.3%	26.6%
Japanese yen	A\$/yen	86.78	1.2%	21.1%
Trade-weighted Index		72.50	1.1%	21.4%

\* Top 100 European stocks trading on the FTSE

\*\* Source : www.msci.com

Source : Iress Market Technology

Past performance is not a reliable indicator of future performance.