

April 2010

## In brief

- **Manufacturing drives US economic recovery, despite unemployment woes**
- **Equity and commodities markets continue strong performance amidst lessening concerns over Europe**
- **Chinese economy surges ahead**

## Global economies

A number of positive signs in the past month have strengthened belief in a global economic recovery. Most notable of these was the JP Morgan Global Manufacturing index for March which reached its highest level for 70 months, on the back of increases in both production and new orders.

Manufacturing has been supported by removing the use of inventory and a rise in demand from advanced economies. This is in addition to the earlier rebound in emerging Asia.

In the US, employment figures also appeared to pick up in March, with non-farm payrolls increasing. While on the face of it an improvement in conditions, this result was below expectations and the US Census Bureau accounted for around 30% of the result. This meant there was no real change to the 9.7% unemployment rate.

In line with the improvement in global manufacturing conditions, the US manufacturing sector has continued to push the rest of the economy in the right direction, with the index rising above forecasts. Contributing to this upturn has been the low US dollar value, which has added to the appeal of exports.

In Europe, debt-ridden Greece continues to dominate the headlines. While signs elsewhere point to economic progress across Europe, Greece's government passed its third fiscal package, some \$4.8 billion, in early March.

In China, there appears no let up to the thriving economy, increasing fears its expansion may be unsustainable. Across the country net gains were made despite government attempts to rein in business activity with tightened monetary policy.

## Equity markets

Equity markets continued to perform strongly into March, driven largely by an easing of sovereign debt concerns in Europe. Key to this improvement was the agreement in late March by 16 Eurozone countries to a joint European Union and International Monetary Fund plan to help the ailing Greek economy. This agreement

boosted an already improving market sentiment following the Federal Open Markets Committee's (FOMC) assessment that the US economy is indeed strengthening. However, the good news didn't translate into a rise in the US Federal Funds rate with the Federal Reserve looking to keep rates low "for an extended period" due to low inflation.

Also in March, gains were made on the Dow Jones Industrials Index (5.1%) and in Australia the All Ordinaries Price Index was up 5.2%, as domestic data continued to suggest that local conditions remained strong. Also on the domestic front, resources continued to prop up the Australian sharemarket with strong price rises in iron ore and copper headlining a healthy mining sector.

However, while the Australian sharemarket continued its solid performance, any further sharemarket gains will depend on improved sentiment from sustained improvement in the US and global economies.

## March Market Performance

### Key Indicators Summary

Equity Markets - Price Indices		At Close	% Change	% Change
Index		31/03/2010	1 Month	12 Months
Australia	All Ordinaries	4893.06	5.2%	38.5%
Japan	Nikkei	11089.94	9.5%	36.8%
Hong Kong	Hang Seng	21239.35	3.1%	56.4%
UK	FTSE 100	5679.64	6.1%	44.7%
Germany	DAX	6153.55	9.9%	50.6%
US	Dow Jones	10856.63	5.1%	42.7%
EMU*	Euro 100	2287.88	6.6%	44.8%
World**	MSCI - Ex Aus	865.66	6.3%	43.4%

Property - Price Index		At Close	% Change	% Change
Index		31/03/2010	1 Month	12 Months
Listed Trusts	ASX A-REITS	867.60	-0.2%	30.8%

Interest Rates		At Close	% Change	% Change
		31/03/2010	1 Month	12 Months
Aust 90 day Bank Bills		4.49%	0.4%	1.4%
Australian 10 year Bonds		5.77%	0.3%	1.2%
US 90 day T Bill		0.02%	0.0%	-0.2%
US 10 year Bonds		3.83%	0.2%	1.2%

Currency		At Close	% Change	% Change
		31/03/2010	1 Month	12 Months
US dollar	AS/US\$	0.9175	2.4%	32.7%
British pound	AS/STG	0.6043	2.9%	25.1%
Euro	AS/euro	0.6791	3.3%	30.1%
Japanese yen	AS/yen	85.74	7.6%	25.3%
Trade-weighted Index		71.70	3.2%	24.9%

\* 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.

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