

Market Review – month ending April 2010

Economic Developments

After a strong rally in March, share markets around the world softened late in April as concerns around the Greece government debt problem increased. Markets have weakened further in May, but European governments have now agreed a large package to stabilise government finances in Greece, and other small countries with high fiscal deficits.

Market Returns to April 2010	Index Performance (%)		
	Month	3 Months	1 Year
Australian Shares			
S&P/ASX 300 Accumulation Index	-1.35	6.45	32.47
International Shares			
MSCI World ex-Australia Index, Unhedged in \$A, Gross	-1.30	2.86	7.94
MSCI World ex-Australia Index, Hedged in \$A, Gross	0.73	9.96	36.92
Listed Property			
Mercer Unlisted Property Funds Index (Pre Tax)	0.50	2.28	-3.92
S&P/ASX 300 Property Trusts Accumulation Index (GICS Sector)	3.91	5.34	38.87
FTSE EPRA/NAREIT Global Real Estate Index, Unhedged in \$A	n/a	n/a	n/a
Australian Bonds			
UBS Composite Bond Index (0+ years)	0.55	0.46	3.29
International Bonds			
Citigroup World Government Bond Index, Hedged in \$A	0.70	1.82	6.56
Barclays Capital Global Aggregate Index, Hedged in \$A	0.88	2.22	10.50
Cash			
UBS Bank Bills Index	0.35	1.02	3.63
Exchange Rates			
\$A to US Dollar	1.42	4.73	26.70
Australian Trade Weighted Index	1.14	4.79	24.60

Financial Markets

Market returns reflected concerns over European sovereign debt issues, particularly in Greece, following the country's downgrade to an S&P BB+ credit rating status during the month. Portugal and Spain also experienced credit rating downgrades, leading to increased fears of European debt market contagion. In addition, the SEC's announcement of a law suit against Goldman Sachs, an oil spill in the Gulf of Mexico, and monetary policy tightening in China added to share market volatility during the month. Generally economic data has remained very positive, especially in the US, confirming that major northern hemisphere economies are recovering from the severe recession of 2008 & 2009.

In Australia, the market returned -1.3%, with defensive sectors the hardest hit. Resources stocks struggled prior to the release of the findings of the Henry Tax review, as the market speculated on the negative impact that this report would have on the sector. The Healthcare sector was negatively impacted by the poor results of one of CSL's overseas competitors, whilst Woolworth's sales results dampened the returns for the Consumer Staples sector. Telecommunications was the only sector to post positive returns, driven by the performance of Telstra, as the market priced in the expectation of a national broadband network deal with the Government occurring in the short term. Merger and acquisition activity continued to occur in the Mining and Resources sectors, but was also at play in the Consumer Staples, Financials and Energy sectors.

Global shares markets were weak, returning -1.3%, however another good month for the Australian dollar saw hedged investors return a positive 0.7% for the month. It was no surprise that European markets drove the negative performance, whilst returns in China, Thailand and Japan were also negative. At a sector level, Healthcare, Telecommunications and Consumer Staples stocks underperformed, whilst the Consumer Discretionary, Industrials and Information Technology sectors outperformed. Emerging Markets continued to outperform Developed markets but returns were diverse, ranging from -6.6% in Israel to as high as 10.0% in Egypt.

Global bond markets outperformed Australian bond markets, in a month that saw domestic bond markets return to positive territory. Overseas markets performed better as bond yields rallied, with credit benefiting from high running yields, along with some limited spread contraction.

(Catholic Super wishes to thank JANA Investment Advisors for this monthly Market Commentary)