CATHOLIC Super

Investment News on Selected Market Indicators

Market Review – month ending January 2010

Financial markets at the end of January were trading at similar levels to September 2009, after a moderate correction during the month for most share markets.

Market Returns to January 2010	Index Performance (%)			
	Month	3 Months	FYTD	1 Year
Australian Shares				
S&P/ASX 300 Accumulation Index	-6.17	-0.95	17.98	35.67
International Shares				
MSCI World ex-Australia Index, Unhedged in $A, Gross	-2.86	3.54	6.41	-2.73
MSCI World ex-Australia Index, Hedged in $A, Gross	-3.19	4.14	17.64	33.20
Listed Property				
Property Unlisted Property Funds Index (Pre Tax)	0.50	0.10	-0.29	-8.94
S&P/ASX 300 Property Trusts Accumulation Index (GICS Sector)	-2.98	1.28	20.56	17.59
Australian Bonds				
UBS Composite Bond Index (0+ years)	1.35	2.47	4.20	1.67
International Bonds				
Citigroup World Government Bond Index, Hedged in $A	0.92	1.40	4.29	6.31
Barclays Capital Global Aggregate Index, Hedged in $A	1.35	2.01	6.49	10.17
Cash				
UBS Bank Bills Index	0.35	0.98	2.05	3.42
Exchange Rates				
$A to US Dollar	-1.17	-1.63	9.94	39.78
Australian Trade Weighted Index	-0.72	-2.12	8.13	30.08

► Economic Developments

January saw a reversal of investment sentiment; with some scepticism regarding how much of the initial economic recovery is ‘real’ growth and how much is just inventory restocking.

Actual economic evidence during the month was mixed, but does suggest activity is continuing to improve in most economies. The majority of the developed world’s central banks, excluding Australia, are showing no sign of wanting to reduce the extreme stimulus inherent in their almost zero interest rate policies. Late in the month concerns grew regarding the credit worthiness of the government bonds of the more indebted Western European economies, Portugal, Ireland, Italy, Greece and Spain, which are suffering from large budget deficits and potential difficulties in raising finance.

► Australian Shares

Australian shares fell over the month with resource stocks suffering more than industrial stocks and small companies falling further than larger companies. Resource stocks fell on concerns that commodity prices might struggle after the Chinese authorities announced a pull back of the stimulus package that has propelled Chinese demand for resources over the past year.

► Overseas Shares

Global shares were also weak over the month falling 3.2% on a hedged basis. In Europe, the countries with debt issues were weak, as were shares of Germany and France, while US and Japanese shares performed roughly in line with the benchmark. Unhedged shares performed a little better as the Australian dollar weakened against the USD and Yen but was stronger against the Euro.

► Property

Listed Property Trust returns were better than ordinary shares but still fell in value, while unlisted property was stable. Property sales are becoming more common as buyer's and seller's expectations on price appear to be converging. Market sentiment has become significantly more positive in recent months.

► Fixed Interest

Even with the uncertain environment surrounding several European countries debt, bond markets generally posted solid returns over the month. Globally central banks have kept cash rates stable, and, post the month end, to the surprise of almost all market experts, the RBA left the cash rate unchanged.

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