CATHOLIC™ Super

Investment News on Selected Market Indicators

Market Review – month ending October 2009

Financial markets continued their positive tone in the early part of October, before retracing some of their recent gains in the latter part of the month. Rising unemployment in the United States and Europe were among some news items that softened investor confidence, and there has also been an element of profit taking after the substantial gains of recent months.

Market Returns to October 2009	Index Performance (%)		
	Month	3 Months	1 Year
Australian Shares			
S&P/ASX 300 Accumulation Index	-2.07	10.97	21.98
International Shares			
MSCI World ex-Australia Index, Unhedged in $A, Gross	-4.12	-2.54	-13.96
MSCI World ex-Australia Index, Hedged in $A, Gross	-1.94	4.99	13.03
Listed Property			
S&P/ASX 300 Property Trusts Accumulation Index	-8.98	16.30	-6.11
FTSE EPRA/NAREIT Global Real Estate Index, Unhedged in $A	-3.40	3.46	-10.34
Australian Bonds			
UBS Composite Bond Index (0+ years)	-0.08	1.37	4.89
International Bonds			
Barclays Capital Global Aggregate Index, Hedged in $A	0.46	2.80	13.41
Cash			
UBS Bank Bills Index	0.27	0.79	5.05
Exchange Rates			
$A to US Dollar	2.39	8.69	36.96
Australian Trade Weighted Index	3.67	7.61	29.25

► Economic Developments

Overall the economic picture was generally mixed in all regions, but there was enough good news to show that the ‘green shoots’ were still alive and growing. The biggest question is whether the end of the extraordinary fiscal stimulus packages will cause the recent growth recovery to slow or stall. At this stage it is clear that emerging market economies are generally doing better than OECD economies, with the UK and Japan tending to be laggards.

► Australian Shares

For the month, Australian shares fell by 2.1%, breaking a seven month rally, with defensive sectors such as Consumer Staples, Utilities and Telecommunications again coming to the fore. Smaller Companies and Resources were a little stronger than the broad market. The share market continues to experience large capital raisings while the Myer float in early November saw the first private equity float for some time, with a host of others waiting in the wings.

► Overseas Shares

Global share markets also fell during the month, with the MSCI indices falling by 1.9% over the month in local currency terms. Further strength in the Australian Dollar meant that unhedged Australian investors lost 4.1% over the month. As with Australia, consumer related stocks held up better, while the Financials sector saw some profit-taking. Utilities and Information Technology also underperformed. The major European markets of Germany, France and Italy lagged during the month as their exports continue to struggle. Emerging market shares also fell but by less than developed markets. China continues to lead the way with another 6.5% rally to be 82% higher over the past year.

► Property

Listed property markets retreated over the month after several months of strong returns. Domestic unlisted property appears to be nearing the end of its downward valuation cycle with greater transaction evidence emerging.

► Fixed Interest

Australian bond market returns were largely flat in October, but International bonds had a positive month, as investors tried to come to grips with the opposing forces of an apparent improvement in economic activity but continuing low inflation. In Australia the solid growth in the domestic economy, and the very limited scale of the recession, has seen the Reserve Bank start to raise rates. Other central banks are not likely to follow suit until well into 2010, when OECD labour market conditions might be expected to show some improvement.

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