

Market Update

November 2012

- China's exports up for the month of September.
- US housing market shows signs of improvement.
- Official cash rate remains at 3.25%.

What's inside?

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October market performance

Equity Markets – Price Indices		At Close 31/10/12	% Change 1 Month	% Change 12 Months
Australia	All Ordinaries	4535.36	2.93%	4.01%
Japan	Nikkei	8928.29	0.66%	-0.67%
Hong Kong	Hang Seng	21641.82	3.85%	8.95%
UK	FTSE 100	5782.70	0.71%	4.30%
Germany	DAX	7260.63	0.62%	18.23%
US	Dow Jones	13096.46	-2.54%	9.55%
EMU*	Euro 100	2255.75	0.61%	8.33%
World**	MSCI – Ex Aus (Gross)	913.89	-0.68%	8.65%

Property – Price Index		At Close 31/10/12	% Change 1 Month	% Change 12 Months
Listed Trusts	S&P/ASX 300 A-REITS	959.03	5.22%	23.12%

Interest Rates		At Close 31/10/12	At Close 28/09/12	At Close 31/10/11
Aust 90 day Bank Bills		3.14%	3.37%	4.71%
Australian 10 year Bonds		3.13%	3.00%	4.52%
US 90 day T Bill		0.13%	0.09%	-0.01%
US 10 year Bonds		1.70%	1.64%	2.11%

Currency***		At Close 31/10/12	% Change 1 Month	% Change 12 Months
US dollar	A\$/US\$	1.04	-0.04%	-1.49%
British pound	A\$/STG	0.64	0.14%	-1.73%
Euro	A\$/euro	0.80	-0.83%	5.38%
Japanese yen	A\$/yen	82.82	2.42%	0.59%
Trade-weighted Index		76.50	-0.52%	-0.52%

* Top 100 European stocks trading on the FTSE ** Price Index – Source: www.msci.com

*** All foreign exchange rates rounded to two decimal places

Source: Iress Market Technology

Past performance is not a reliable indicator of future performance.

Global economies

Last month there were mixed results from the world's largest economies, with US retail spending increasing, while the Eurozone continued to show signs of a slowdown.

Over in China, the latest economic data was positive, and provided some welcome relief to markets. The data for September showed exports rising to 9.9% year on year, up from 2.7% in the previous month. Gross Domestic Product (GDP) for quarter three came in at 7.4% year on year, in line with forecasts.

Staying in the East, the Bank of Japan eased monetary policy further in late October, adding ¥11 trillion to its quantitative easing program. While markets welcomed the easing; it seems they had been hoping for more, as Japan's share market lost ground after the announcement.

Quarter three GDP results from the UK came in better than expected after they were boosted by Olympic ticket sales and visitor spending in July.

US Economy

US housing data showed an improving trend in household consumption, with activity and turnover increasing last month. Housing starts also reflected this trend as they jumped by 15% in September, after a 4.1% increase during August.

In other positive news for the US, the latest retailing report showed yet another rise in consumer spending.

Retail sales in September rose by 1.1% after a 1.2% gain in August. GDP consumption measures also rose 0.9% in September.

Europe

Over to Europe and the Eurozone continued to slow in October.

The zone underwent a pulse check early in the month with region-wide surveys returning disappointing results.

The Purchasing Managers' Indices (PMI) which measures production levels, inventories and employment levels, and the German IFO Business Survey which is a measure of current business conditions and expectations for the next six months, both showed the slowdown was likely to continue in Europe.

Markets and investors alike were also disappointed that the survey results failed to meet already subdued expectations. And, with Germany also caught up in the economy's turmoil, investors aren't being provided with any levels of comfort.

Spain continues to concern the wider Eurozone, as retail sales for September were 10.9% down from this time last year.

A quick look to Greece, and European Central Bank (ECB) Board member Ewald Nowotny said that "the central bank would not be taking any haircut on Greek debt" – meaning the bank won't be accepting any losses on Greek government securities. And with renewed pressure on the Greek banks, the Athens share market fell 6.3%.

Australia

On the home front, the official cash rate remains at 3.25%, after the Reserve Bank of Australia (RBA) announced there would be no additional interest rate cut in November.

RBA governor, Glenn Stevens, cited China's stabilising economy, the US recording moderate growth and recent information on the world economy being slightly more positive, as the primary reasons for the interest rate decision.

Domestic housing saw a decline in prices after several months of increases. Across the eight capital cities, prices declined 1%; with prices down in all the cities apart from Perth (+0.4%) and Darwin (+4%). These two having now seen prices up over the course of the past twelve months, Perth by 3.5% and Darwin by 8.6%.

These increases have undoubtedly been supported by growing levels of resource sector investment; and for Darwin, government related activity.

In positive news for the housing sector, the total number of building approvals rose by 7.8% during September, well above consensus forecasts of 1%.

Australia's online retail spending saw a decline last month, as NAB's Online Retail Sales Index showed a 4.7% decrease in September, after a rise of 5% in August. Over the past year, the Online Retail Index is up by 23%.

Equity markets

Most major markets posted positive returns during October, with Hong Kong and Australia as the standouts. The US market was the only major that had a poor month, finishing 2.54% down.

Australian equities

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 Acc.	9.85%	3.39%	-3.61%	3.98%
	S&P/ASX 50 Acc.	12.40%	4.21%	-2.44%	4.73%
	S&P/ASX Small Ordinaries Acc.	-2.49%	-0.08%	-8.23%	1.28%

The Australian market had a strong month with the S&P/ASX All Ordinaries gaining 2.92%, making it one of the better performing markets.

Over the year, the S&P/ASX All Ordinaries Price Index returns have been mediocre, only returning around 4%. However, the interesting story here is that once you add dividends to the returns, the returns are significantly better.

For the year to 31 October, the S&P/ASX 300 Accumulation Index posted a return of 9.85%, while the S&P/ASX 50 Accumulation Index performed around 2.5% better.

At the sector level, all sectors posted positive gains during October. Telcos, Property and Industrials were the top performers, returning 5.7%, 5.3% and 3.6% respectively.

Information Technology posted the smallest gain of 0.3%, however remains the best performing sector for the last three months, returning an impressive 12.8%.

Over the 12 months to 31 October, Telcos and Health Care have boomed, with both sectors returning over 40%.

The only sectors to be in the red over the 12 month period are Energy and Materials. This is despite both sectors having had a good last three months.

Big movers this month

↑ Telcos +5.7%

↑ Property +5.3%

Sector	1 Mth	3 Mths	1 Yr
Energy	1.1%	4.2%	-8.5%
Materials	2.3%	9.6%	-11.2%
Industrial	3.6%	6.4%	5.5%
Consumer Discretionary	2.7%	3.7%	6.7%
Consumer Staples	2.5%	7.8%	19.5%
Health Care	1.6%	11.5%	40.3%
Financials (ex Property)	3.1%	7.3%	18.8%
Info Tech	0.3%	12.8%	21.0%
Telcos	5.7%	7.6%	44.3%
Utilities	1.1%	-0.2%	21.1%
Property	5.3%	6.5%	30.8%

Global equities

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Global	MSCI World Ex Aus Acc. (\$A)	10.50%	7.48%	-3.03%	2.34%
	MSCI World Index Hedged (\$A)	11.58%	8.19%	-3.69%	1.39%
	MSCI World Small Cap (\$A)	10.50%	11.04%	-0.82%	2.83%
Emerging	MSCI Emerging Mkts Free	5.00%	0.65%	-5.61%	3.86%
	MSCI AC Far East Free (ex Japan)	10.22%	2.81%	-4.83%	4.60%

Due to its heavy US influence, the MSCI World Index posted a negative return last month, while many of the other major markets saw gains during October.

Losing 2.54% last month, the Dow Jones Industrial Average was the poorest performer of the major markets. However, over the 12 months to October 31, the Dow Jones has performed well, returning 9.55%.

In the UK the FTSE 100 finished up 0.7% for the month. While in mainland Europe, the German DAX posted a gain of 0.6%, with the Euro 100 posting a similar return.

The standout performer in October was Hong Kong's Hang Seng which powered ahead gaining 3.85%. This result helped boost the Hang Seng's 12 month results, which are now looking reasonable at around 9%.

Australian dollar (AUD)

In October, the Australian Dollar (AUD) gained ground against the Japanese Yen, gaining 2.4% over the month to close at 82.82 Yen.

The AUD remained virtually unchanged against the US dollar during October, closing at US\$1.0378 at the end of the month.

Against the Euro the AUD lost a little ground and closed the month at 0.8009 Euro.

Property

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 A-REIT Acc	30.81%	10.10%	-11.37%	-2.75%
Global	UBS Global Investors Index	18.74%	10.73%	-4.25%	-0.79%

The highlight of October was the performance of the Australian listed property market, which provided investors with a superb 5.3% return for the month. This saw the S&P/ASX 300 A-REIT Accumulation Index easily outperform the UBS Global Investors Index which returned a reasonable 1.4%.

Over a one year period, Australian listed property has significantly outperformed global property, however is still lagging over longer timeframes.

Fixed Interest

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	UBS Composite 0 + Years	10.22%	8.68%	8.29%	6.99%
	Australian 90 Day Bank Bill	3.98%	4.47%	4.87%	5.25%
Global	BarCap Global Aggregate Index	5.94%	0.12%	3.50%	0.89%
	BarCap Global Ag.,. Index Hedged	10.32%	9.66%	9.46%	8.27%

Australian bonds this month were very flat with the UBS Composite Bond All Maturities Index gaining just 0.02%.

Hedged global bonds, as measured by the Barclays Global Aggregate Index Hedged, performed reasonably well with an increase of 0.58%, while the unhedged equivalent posted a small gain of 0.14%.

On a 12 month comparison, hedged global bonds are marginally outperforming Australian bonds, returning 10.32% against 10.22%. Unhedged global bonds are still underperforming both Australian bonds and global hedged bonds over a 12 month period.

The information contained in this Market Update is current as at 08/11/2012 and is prepared by GWM Adviser Services Limited ABN 96 002 071749 trading as ThreeSixty, registered office 150-153 Miller Street North Sydney NSW 2060. This company is a member of the National group of companies.

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