



- ▶ US data continues to show small positive gains
- ▶ European debt continues to be the focus of attention
- ▶ RBA cuts rates another 0.25% in December

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November market performance

Equity Markets – Price Indices		At Close 30/11/2011	% Change 1 Month	% Change 12 Months
	Index			
Australia	All Ordinaries	4184.67	-4.03%	-10.52%
Japan	Nikkei	8434.61	-6.16%	-15.12%
Hong Kong	Hang Seng	17989.35	-9.44%	-21.81%
UK	FTSE 100	5505.42	-0.70%	-0.41%
Germany	DAX	6088.84	-0.85%	-8.97%
US	Dow Jones	12045.68	0.76%	9.45%
EMU*	Euro 100	2056.15	-1.25%	-7.34%
World**	MSCI - Ex Aus (Gross)	829.17	-1.42%	-2.57%

Property – Price Index		At Close 30/11/2011	% Change 1 Month	% Change 12 Months
	Index			
Listed Trusts	S&P/ASX 300 A-REITS	799.60	2.65%	-3.76%

Interest Rates	At Close 30/11/2011	At Close 31/10/2011	At Close 30/11/2010
Aust 90 day Bank Bills	4.60%	4.71%	5.04%
Australian 10 year Bonds	3.94%	4.52%	5.41%
US 90 day T Bill	0.01%	-0.01%	0.16%
US 10 year Bonds	2.09%	2.11%	2.80%

Currency***		At Close 30/11/2011	% Change 1 Month	% Change 12 Months
US dollar	A\$/US\$	1.03	-2.37%	7.23%
British pound	A\$/STG	0.65	0.01%	6.25%
Euro	A\$/euro	0.76	0.65%	3.56%
Japanese yen	A\$/yen	79.84	-3.03%	-0.49%
Trade-weighted Index		74.60	-2.99%	2.19%

* 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

The European sovereign issues continued to dictate sentiment over the month of November. The effects on global markets were mixed, with economic data released from different parts of the world continuing to vary from country to country.

US Economy

Starting in the US, the economy continues to gradually improve albeit from a relatively low base.

Data such as the Institute for Supply Management's (ISM) Non-manufacturing Index is supporting this view of slow positive growth.

In November, the Index showed a reading of 52.0. A reading of above 50 for the Index indicates expansion.

And, while the November reading was below that of October (52.9), it still points to overall growth in the service sector.

Furthermore, the unemployment rate in the world's largest economy fell to 8.6% from 9.0% which reflects a solid gain in employment.

However, it was US consumer confidence that helped boost markets.

Consumer confidence, as measured by the Conference Board Consumer Confidence Index, rose to 56.0 in November from 40.9 in October.

This is worth noting as it is the biggest one-month jump in eight years and consumer confidence is now at a four month high.

Despite this jump in consumer confidence, the index still remains well below the levels consistent with strong economic conditions.

But it was not all good news coming from the US. Positive economic news was overshadowed by the political stalemate within the US Super Committee and their deadline to cut their Budget deficit.

The US Super Committee, made up of six Republicans and six Democrats, was unable to come to an agreement on ways to reduce the country's deficit.

The lack of a deal before the deadline now means that automatic cuts outlined in the bill that established the Super Committee will likely take effect in 2013.

On the monetary policy front, the US Federal Reserve left rates unchanged.

Europe

Europe continued to be the focus of attention throughout the month of November and in the early parts of December.

The recent change of leadership in both Greece and Italy in exchange for new austerity measures to try and bring the Eurozone debt crisis under control did provide some initial respite for markets. But this was short lived as yields on Italy's debt breached the 7% mark; a level considered unsustainable.

This contributed to the volatility throughout the month as well as some less-than-impressive bond auctions, and ratings agencies suggesting that there may be credit rating downgrades, including some of the major economies.

However, while the uncertain situation in Europe continues to drive sentiment, there were some positive signs.

Central banks of the US, Europe, the UK, Switzerland, Canada and Japan reduced the premium that banks pay to access overnight US Dollars (USD) to help improve liquidity in short-term funding markets and ease tensions in financial markets.

And, although this move does not necessarily solve the region's sovereign debt issues, it does suggest that governments are willing to co-ordinate

where possible to ease pressure on markets.

The Monti-led Italian government has also recently approved a new €30 billion austerity package aimed at balancing the country's budget by 2013 with European Union (EU) finance ministers also clearing the €5.8 billion December bailout payment for Greece.

Another talking point, albeit in the early part of December, was the EU Leaders summit.

Key initiatives to come out of the talks include the increased alignment of fiscal policy, a new European Stabilisation Mechanism to be established by mid next year and the leveraging of the current European Financial Stability Facility.

On the monetary policy front, the European Central Bank recently cut rates by 0.25% to 1% and unveiled measures to support the banking system.

China

China's economy continues to show signs of slowing which was evident in the People's Bank of China changing its stance on monetary policy.

With around 30% of the country's exports going to Europe, being China's largest trading partner, the export channel will likely feel the impact of the issues surrounding the European region.

This in turn results in lower manufacturing and industrial production in China.

The People's Bank recently cut rates by 0.5% for large banks which is the first cut in three years and follows six increases throughout this year.

By cutting rates, the People's Bank signalled a shift in China's policy stance from fighting inflation to now supporting growth.

To help support their decision, China's recent annual inflation figures show inflation falling from 5.5% to 4.2%.

Australia

On the home front, the Reserve Bank of Australia (RBA) followed up November's 0.25% rate cut with another 0.25% cut in December.

Australia's economy continued to show relatively solid growth which is primarily being driven by investment in the mining sector. Household consumption and exports also showed good results.

On the employment front, the outlook for the jobs market seems to be deteriorating although the advertisements were flat following four months of falls according to the ANZ survey.

The unemployment rate ticked up to 5.3% seasonally adjusted in November from 5.2% in October.

Equity markets

Equity markets were generally lower over the month of November with the exception of the Dow Jones which closed marginally higher.

Big movers this month

Going up

↑ Property +2.7%

Going down

↓ Materials -6.2%

Australian equities

	Index/Benchmark (% pa)	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 Acc.	-6.27%	8.14%	-1.40%	5.07%
	S&P/ASX 50 Acc.	-5.17%	7.60%	-0.63%	5.52%
	S&P/ASX Small Ordinaries Acc.	-12.09%	15.03%	-3.57%	3.61%

In Australia, the All Ordinaries Index fell more than the US and major European indices, but fared relatively well compared to Asian majors.

In contrast to October, Energy, Financials and Materials were the main detractors from performance in November with the more defensive sectors outperforming the broader index.

Sector	1 Mth	3 Mths	1 Yr
Energy	-4.3%	-1.5%	-12.7%
Materials	-6.2%	-11.9%	-15.5%
Industrial	0.4%	1.1%	-4.8%
Consumer Discretionary	-3.6%	1.2%	-13.3%
Consumer Staples	-1.9%	0.9%	1.7%
Health Care	1.8%	1.6%	-7.7%
Financials	-4.9%	0.0%	-2.3%
Info Tech	-0.1%	-3.4%	-20.1%
Telcos	1.8%	3.9%	22.1%
Utilities	1.3%	0.2%	7.7%
Property	2.7%	1.7%	2.2%

Global equities

	Index/Benchmark	1 Yr	3 Yrs	5 Yrs	7 Yrs
Global	MSCI World Ex Aus Acc. (\$A)	-5.23%	-3.86%	-7.17%	-1.44%
	MSCI World Index Hedged (\$A)	0.22%	9.48%	-3.68%	1.72%
	MSCI World Small Cap (\$A)	-6.35%	3.86%	-5.26%	0.58%
Emerging	MSCI Emerging Mkts Free	-17.41%	6.19%	-1.75%	6.92%
	MSCI AC Far East Free (ex Japan)	-17.28%	5.82%	-1.67%	5.14%

In the US, the Dow Jones edged higher over the course of the month to be the best performer of the major indices.

European indices were generally lower by month end but fared relatively well compared to Asia despite being the focus of market sentiment at the moment.

Asian majors fell the most throughout November with Hong Kong's Hang Seng continuing to exhibit strong swings from month to month.

Over the last 12 months, the US has provided investors a strong return. The Dow Jones has gained 9.45% for the 12 months to the end of November with the next best major index (UK FTSE 100) providing investors a return of -0.41%.

Asian majors and Australia have been relatively poor performers over the past 12 months with the Hang Seng being by far the worst performing index returning -21.81%.

Property

	Index/Benchmark	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	S&P/ASX 300 A-REIT Acc	2.23%	-0.51%	-13.57%	-4.68%
Global	UBS Global Investors Index	-2.60%	3.73%	-10.49%	N/A

The S&P/ASX 300 A-REIT Accumulation Index gained 2.65% in November after the 3.8% gain in October as investors looked to the more defensive sectors.

Global property as measured by the UBS Global Investors Index was 1.35% lower at month end underperforming domestic listed property. However, over the longer 3 and 5 year periods, global listed property continues to perform relatively better.

Fixed interest

	Index/Benchmark	1 Yr	3 Yrs	5 Yrs	7 Yrs
Australian	UBS Composite 0 + Years	10.54%	6.47%	7.17%	6.43%
	Australian 90 Day Bank Bill	4.89%	4.31%	5.34%	5.47%
Global	BarCap Global Agregate Index	-0.76%	-7.27%	0.60%	1.65%
	BarCap Global Ag., Index Hedged	8.43%	9.50%	8.23%	7.39%

Australian bonds, as measured by the UBS Composite Bond All Maturities Index, gained 1.7% over November on the back of the RBA's decision to cut rates and the suggestion that the RBA may cut rates further over the course of the coming months.

Globally, hedged bonds as measured by the BarCap Global Aggregate Index (Hedged) for the month of November underperformed its unhedged counterpart as the fall in the Australian Dollar versus the USD helped unhedged portfolios.

Australian dollar (AUD)

The AUD lost some ground versus the USD over the month of November and at the time of writing has fallen below parity as investors remain cautious. The AUD was mixed versus other major currencies in November.