Zenith Monthly Economic Report

(April 2010)



MONETARY POLICY IN FOCUS: AUSTRALIA

Cash Rate (%)		Change in GDP (%)		Inflation Rate (%)		Unempl. Rate (%)		Consumer Confidence (%)		Business Confidence (%)		Change in Retail Sales (%)		Change in Building Approvals (%)	
Apr .10	Mar .10	Q4 .09	Q3 .09	Q4 .09	Q3 .09	Mar .10	Feb .10	Mar .10	Apr .10	Mar .10	Feb .10	Feb .10	Jan .10	Feb .10	Jan .10
4.25	4.00	0.90	0.28	2.11	1.26	5.30	5.50	117.29	117.04	15.9	14.6	3.43	2.89	37.6	31.8

SUMMARY:

The RBA Board met on Tuesday, 6 April and decided to increase the official cash rate by 0.25% to 4.25% (in line with consensus). RBA Governor Glenn Stevens has stated "Growth and inflation are around trend and it is appropriate for interest rates to be closer to average" The RBA's normal cash rate has been estimated to be between 4.75% and 5.00%. Domestic growth in Q4 at 2.70% was marginally below the long-term average growth rate of 3.00%. This prompted the RBA to implement consecutive cash rate adjustments, despite a gradual increase in inflation.

The RBA has also pointed to Australia's terms of trade which has continued to improve by stating that "Under these conditions, output growth over the year ahead is likely to exceed that seen last year, even though the effects of earlier expansionary policy measures will be diminishing".

Facts and Figures:

Unemployment – The unemployment rate remained steady in March at 5.30%. Part-time employment declined by 10,600 while full-time employment rose by 30,100. The participation rate decline by 0.1 to 65.1 and the number of hours worked declined by 0.6 during the month. The unemployment statistics were in line with consensus.

Consumer Confidence – Confidence increased marginally during the period by 0.2 to 117.3 The RBA's cash adjustments since September 2009 seemed to have had little impact on consumer confidence, although consumer mortgage rates seem to have not reached that point where increases have a major impact on confidence.

Building Approvals – The increase in building approvals in February have been attributed to current low interest rates and the last wave of the first home buyer boost approvals filtering through. The fundamentals of strong population and employment growth during 2010 may push housing demand higher. However, as the debate continues, without an adequate supply of new dwellings price pressures and further erosion of housing affordability may continue in the short to medium term.

Business Confidence – Confidence improved slightly in March to 15.9 from 14.6 in February. Business conditions strengthened noticeably in March with all sectors contributing. After a slower start to 2010, activity levels are now a there strongest levels since January 2008.

MONETARY POLICY IN FOCUS: GLOBAL

	Cash	Rate	Inflatio	n Rate	Unemployr	nent Rate	Change in GDP (%)		
	Apr .10	Mar .10	Q4 09	Q3 09	Feb .10	Jan .10	Q4 09	Q3 09	
USA	0.25	0.25	2.36% (Q1 2010)	1.46 (Q4 2009)	9.70 (Mar .10)	9.70 (Feb .10)	1.36	0.55	
Japan	0.10	0.10	-2.03	-2.24	4.90	4.90	0.94	0.14	
UK	0.50	0.50	0.63	-1.38	5.00	5.00	0.44	-0.28	
China	5.31	5.31	2.20% (Q1 2010)	0.70 (Q4 2009)	N/A	N/A	11.90* (Q1 2010)	8.70* (Q4 2009)	

^{*} China's Inflation and GDP are calculated on a year on year basis.

SUMMARY:

The **US** economy continued its moderate recovery as the local consumer and businesses gradually increase their level of spending. The economic recovery out of previous recessions (2000-2001) was sharp and supported by a domestic consumer with low household debt at 70%, in comparison to the current level of 97%. In Q1 2010, local consumers and businesses continued to reduce debt, which created a drag on the economy. The US trade deficit during the quarter expanded (imports > exports) by \$40.18 billion fuelled by the surge in demand for oil; exports also increased for the eighth successive month based on greater demand for industrial machinery and US-made automobiles and auto parts. The Federal Reserve has maintained the cash rate at 0.25%, and has indicated it will do so for the foreseeable future.

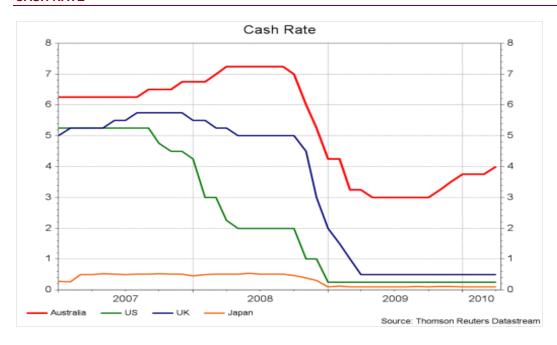


Japan's economy has been bolstered by a significant improvement in business conditions, spurred on by China's demand for Japanese's exports. Japan's recovery in exports has been supported by a decline in the Yen and a substantial rise in the demand for electrical and electronical products. Despite the reduced concerns of a double dip in the local economy, deflation remains a major concern, in conjunction with wage pressures as Japanese companies commence the global search for less expensive labour. The BoJ will continue to constantly make contributions as central bank and will encourage the uncollateralised overnight call rate to remain at 0.10%.

The **UK** economy will record its Q1 GDP growth figures in late April, with most economists predicting a 0.50% growth rate during the quarter, avoiding a double dip. Expected growth has been attributed to the significant improvement in the manufacturing sector, with a continued boost from inventories, government demand and household spending. The economic health of the local economy seemed to have been unaffected by the nation's worst cold freeze since 1979 and the more recent increase in sales tax. The BoE decided not to alter the asset purchase program at this point, to further assess the effects of its recent injection, over the coming period. The Monetary Policy Committee (MPC) kept interest rates on hold at 0.5%.

China's economy recorded a year-on-year growth of 11.9% in Q1. Industrial production increased by 18%, retail spending up 16% while urban fixed-asset investment rose approximately 26% in the first three months of 2010 from the same period last year. China has come under significant pressure from the USA to revalue the Yuan, which has remained at its current rate for the past 21 months. The revaluation of the Yuan has been earmarked to occur after the 30th June 2010. The Peoples Bank of China (PBC) has continued its efforts in maintaining a relatively easy monetary policy while striking a balance between maintaining stability and a fairly rapid economic development, restructuring and managing inflation expectations. The PBC has maintained the cash rate at 5.31%.

CASH RATE



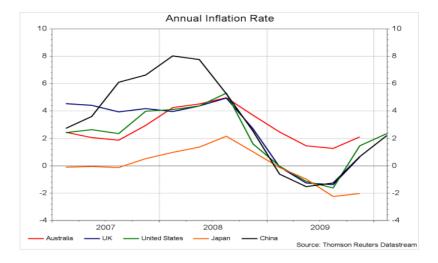
- The RBA increased the cash rate by 0.25% to 4.25% in April.
- US, UK, China and Japan left their respective cash rates unchanged.



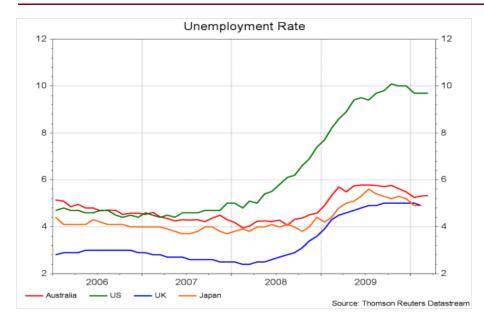
ECONOMIC INDICATORS

ANNUAL INFLATION RATE (UPDATED QUARTERLY)

- Australia's inflation rate increased to 2.11% in Q4.
- Japan's inflation rate decreased in Q4 to -2.03%.
- UK inflation increased to 0.63% in Q4.
- US inflation has continued to increase to 2.361% in Q1.
- China's inflation has spiked to 2.20% in Q1.



UNEMPLOYMENT RATE

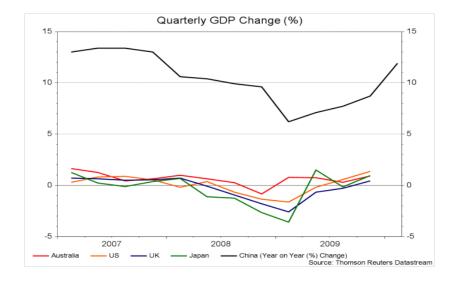


- Australian unemployment rate remained steady at 5.30% in February.
- US unemployment rate was unchanged at 9.70% in March.
- UK unemployment remained at 5.00% in January.
- Japan's unemployment rate declined in January to 4.90%.



QUARTERLY GDP CHANGE (UPDATED QUARTERLY)

- US GDP rose for the first time since Q2 2008 to 1.46% in Q4 2009.
- UK GDP rose by 0.29% in Q4.
- Japan's GDP rose to 1.14% in Q4.
- China recorded a year-on-year growth in GDP of 11.90% in Q1
- Australia's GDP rose by 0.90% in Q4.



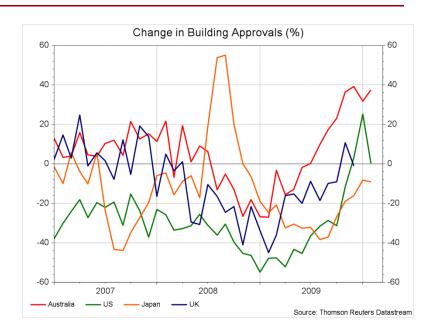
CHANGE IN RETAIL SALES



- US retail sales have increased dramatically by 7.62 in March.
- Japan's retail spending increased in January by 2.61%.
- Retail spending in the UK rose marginally by 0.83% in January.
- Australian retail spending rose marginally in January to 3.04%.

CHANGE IN BUILDING APPROVALS

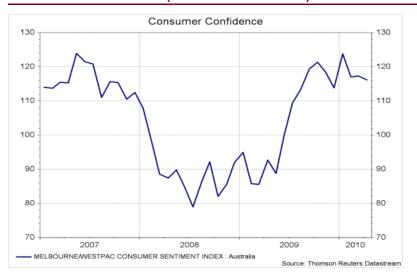
- Australian building approvals rebounded to 37.6 in February from 31.8 in January.
- Japan building have declined marginally to -9.1% in February.
- US building approvals declined marginally during the period by 2.5%.
- UK building approvals declined in December by -0.96%





SENTIMENT INDICATORS

CONSUMER CONFIDENCE (UPDATED QUARTERLY)



 Australian consumer confidence declined in February to 117.04 after peaking in January at 123.86.

BUSINESS CONFIDENCE (UPDATED QUARTERLY)

 Business confidence improved slightly in March to 15.9 from 14.6 in February.



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Data Source: Thomson Reuters

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