

## MARKET INDICATORS

Market	Indicator	Current	Last Month	1 Month Change	12 Months Ago	12 Month Change
Interest Rates	Overnight Cash	3.5	3.25	0.25	5.25	-1.75
	3 Month Interbank Borrowing Rt.	3.9475	3.9225	0.03	5.1575	-1.21
	10 Year Bond	5.23	5.54	-0.31	4.58	0.65
Australian Shares	All Ords	4715.5	4646.9	1.48	3672.7	28.39
	S&P/ASX 200	4701.3	4643.2	1.25	3742.5	25.62
Regional Shares	Dow Jones Industrials (US)	10344.84	9712.73	6.51	8829.04	17.17
	S&P 500 (US)	1095.63	1036.19	5.74	896.24	22.25
	FTSE 100 (UK)	5190.68	5044.55	2.90	4288.01	21.05
	TOPIX (Japan)	839.94	894.67	-6.12	834.82	0.61
	Hang Seng (Hong Kong)	21821.5	21752.87	0.32	13888.24	57.12
Property	ASX 300 A-REITS Index	870.12	863.03	0.82	998.64	-12.87
	US\$ Gold Price	1177.7	1046	12.59	812.65	44.92
	US\$ Oil Price – West Texas Crude	76.7	75.32	1.83	48.55	57.98
	US\$ CRB Spot Commodity Index	414.09	390.82	5.95	310.24	33.47
Exchange Rates	AUD / USD	0.9178	0.9161	0.19	0.6572	39.65
	AUD / EUR	0.6092	0.6169	-1.25	0.5091	19.66
	AUD / GBP	0.5539	0.5533	0.11	0.4269	29.75
	AUD / JPY	79.24	83.49	-5.09	62.58	26.62
Volatility	VIX Index	24.51	30.69	-20.14	55.28	-55.66

### Key Points:

- Australian government 10 year bond yields finished the month lower.
- Global equity markets rallied in November, after October brought the first month of negative returns since June. The MSCI world ex-Aus index was up 2.58% for the month.
- Gold continued its ascent in November, pushing towards the \$USD 1200 mark, with a 12.6% increase during the month.
- The Australian dollar had a volatile month, ending with a slight increase against the USD. However, on a trade weight basis the dollar fell 2.3%.
- Volatility decreased significantly in November, dropping by 20% as measured by the VIX Index.
- The RBA raised interest by 25bps for the 2<sup>nd</sup> consecutive month.
- Dubai World spooked investors after placing a standstill on USD 18b in bonds until mid-late 2010.

## CASH, FIXED INTEREST & CREDIT

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %
Australian Cash	UBS Bank Bill Index	0.31	3.61	6.00	5.93	1.37	3.14
Australian Bonds	UBS Composite All Maturities	1.51	3.43	6.59	5.79	3.21	2.12
International Bonds	Barclays Global Aggregate \$A	1.28	11.46	8.03	7.31	8.01	1.28

### Summary of Statistics:

- **Australian Cash** returned 0.31% in October and 3.61% for the year as measured by the UBS Bank Bill Index.
- **Australian Bonds** rose 1.51% in November, as measured by the UBS Composite All Maturities Index. Australian 10 Year government bonds are now yielding 5.23% in comparison to 5.54% last month and 4.58% a year ago.
- **International bonds** as measured by the Barclays Global Aggregate (Hedged \$A) Index rose 1.28% in November. 10 Year bond yields fell in the US from 3.50% to 3.20%; was mainly flat in the UK and fell in Japan from 1.4% to 1.26%.
- **Credit spreads** during November were pushed wider by offshore bank issuance.

## Commentary:

US government bond yields fell after risk appetite waned as investors worried about the durability of the recovery. Data worrying investors included an unemployment rate that rose above 10%. This concern was shared by the US Federal Reserve, who signalled that the current extremely low cash rate would likely remain for an extended period.

APRA's policy proposal for bank liquidity requirements became clearer during the month, with its proposal that banks be regulated to hold more Government Bonds on their balance sheet for liquidity purposes. This created the beginnings of a scarcity premium for bonds.

At month end, Dubai World emerged as a blip on credit and equity markets, with the announcement they were seeking a standstill on USD 18bn until mid-late 2010. The UAE Central Bank came to the support of financials operating in the region to calm the situation. However, S&P and Moody's downgraded Government Related Entities in Dubai.

Domestically, Australian interest rates rose for the second month running. RBA Governor Glenn Stevens stated that the economic conditions had been stronger than expected and measures of confidence had recovered. He noted that the affects of a rise in exchange rate would constrain exporting and dampen price pressures. Investors tightened expectations for the RBA cash rate for 2010 by 25-35bps, with interbank bill futures contracts trading at 4.5% for July (previously 4.75%). Domestic credit spreads were pushed wider during November, due to offshore issuance by domestic banks.

## AUSTRALIAN SHARES

Zenith Benchmarks	Total Return Indices	1 Mth	1 Yr	3 Yr p.a.	5 Yr p.a.	Fin Yr TD	Cal Yr TD	%Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
Australian Shares	S&P/ASX 300	1.80	32.51	-0.80	8.17	21.26	32.70	-2.76	54.37
Australian Shares - Small Caps	ASX Small Ordinaries	1.77	57.25	-4.85	5.79	22.50	50.95	-3.68	81.37
Australian Shares - Style	SPGI BMI Australia Growth	1.06	31.45	0.80	10.18	19.06	33.71	-1.85	48.69
	SPGI BMI Australia Value	-3.08	30.59	-3.96	5.87	24.90	36.00	-4.36	68.29
Australian Shares - GICS Sectors	S&P/ASX 300 Materials	9.02	47.83	7.29	16.28	22.70	45.65	-1.07	69.29
	S&P/ASX 300 Industrials	-1.44	26.86	-10.25	0.32	26.86	18.85	-4.95	76.94
	S&P/ASX 300 Consumer Discretionary	0.73	51.71	-12.11	-3.31	23.80	40.44	-3.88	70.69
	S&P/ASX 300 Consumer Staples	1.17	28.17	6.96	11.19	17.66	28.74	-0.37	38.19
	S&P/ASX 300 Financials	-1.07	34.10	-5.78	5.48	27.73	38.27	-7.05	78.68
	S&P/ASX 300 IT	-1.12	71.74	3.43	11.42	20.37	52.30	-5.31	78.44
	S&P/ASX 300 Telecommunication Svs.	2.23	-7.86	2.65	-0.43	3.10	-2.55	-11.83	17.81
	S&P/ASX 300 Financials ex-Property	-1.42	43.15	-1.78	8.45	29.12	45.04	-7.06	79.96
	S&P/ASX 300 Property Trusts	0.96	-5.04	-22.52	-7.18	20.18	5.96	-8.58	70.25

Source: DataStream

## Summary of Statistics:

- **Australian shares**, as measured by the S&P/ASX 300 index, resumed their recovery with a 1.80% increase during the month.
- The **small cap sector** marginally underperformed large caps, with a positive return of 1.77%.
- On a **sector** basis, Materials outperformed the market with a positive return of 9.02% after commodity prices soared, while the rest of the market had mixed results. Telecommunication (+2.23%) and Consumer Staples (+1.17%) were the next best performing sectors, whilst Industrials (-1.44%) and Financials ex Property (-1.42%) performed the worst.
- The Australian share market underperformed the MSCI World Index during November.

## Commentary:

November proved to be a volatile month for equities, as investors reacted to a range of global economic factors. The market finished up 1.8%, nearly recovering all of the losses incurred the previous month. The Australian market began the month relatively flat but by mid month upward momentum created by improving domestic indicators and positive Chinese economic data that saw commodity prices rise propelled the Australian market higher. Late month, Dubai World announced its freeze on debt repayments. Due to the unknown exposure the banking sector had in the area, the market plummeted. A day after the announcement it was revealed that Australian banks had limited exposure in the area, the market recovered these losses.

Reports released in November showed that the capital raising trend had continued, with ASX listed companies raising \$8.8bn in secondary capital in the month of October.

## INTERNATIONAL SHARES

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %	% Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
International Shares	MSCI World Ex-Au A\$	2.58	-6.95	-9.99	-0.72	5.69	-3.19	-6.71	16.67
	MSCI World A\$	2.40	-6.01	-9.70	-0.46	6.23	-2.17	-5.64	17.73
International Shares - Small Caps	MSCI World Small Companies Ex-Au A\$	0.87	3.01	-10.83	-0.71	5.63	4.21	-8.18	25.37
International Shares - Regional	MSCI US A\$	4.20	-10.55	-10.28	-2.42	6.07	-5.11	-10.29	14.05
	MSCI Europe A\$	1.62	0.91	-9.55	1.64	10.52	2.64	-5.20	28.18
	MSCI AC Asia Ex-Jap \$A	1.37	29.27	-0.06	9.82	7.48	25.94	-4.00	28.18
	MSCI Japan A\$	-2.30	-18.78	-14.09	-3.11	-9.18	-19.59	-22.34	4.63
	MSCI China A\$	1.14	27.26	9.35	19.26	3.89	23.30	-5.74	36.19
	MSCI India A\$	7.02	52.92	2.18	17.78	9.92	49.25	-2.22	73.48
	MSCI Emerging Markets A\$	1.64	30.40	0.09	12.01	11.65	31.16	-2.11	42.55
International Shares - Hedged	MSCI World ex-Au \$A (Hedged)	3.02	22.75	-6.96	1.78	15.73	21.60	-2.18	55.90

Source: DataStream

## Summary of Statistics:

- **International Shares (ex-Australia)** rose 2.58% in November on an unhedged basis and 3.02% on a fully hedged basis.
- **Small caps** underperformed the broader market, returning 0.87%.
- On a regional basis, India (+7.02%) and US (+4.20%) were the best performing markets in \$A, while Japan (-2.30%) performed the worst.

## Commentary:

The Global markets were driven by solid US economic data early in the month, with the housing sector continuing to strengthen, after home sales rose for eight consecutive months. The global manufacturing index hit a 39month high, bolstered by the fastest growth in US manufacturing in three and a half years. Chinese economic data continued to improve, providing the driving force for commodity prices. Europe upgraded its expected growth for 2010 to 1% (previously +0.3%)

Company-specific news included the bankruptcy announcement by CIT Group, the commercial lender whose assets are valued at USD 71b and has accumulated debt of approximately USD 65b. While it hopes to cut USD 10b by filing bankruptcy, the government warned that there was minimal chance of recovering the USD 2.3b taxpayer's bailout money that the company received during the GFC. Following this S&P reported that US speculative default rate rose 0.5% from September to October.

Dubai World, a conglomerate between the Dubai government and Nakheel PSJC (Property group) asked for a freeze on unpaid loans to the sum of USD 18b. Global markets reacted more selectively than Australian market, with investors selling off positions in European financials that had the largest exposure to the area. While the event was seen as a blip in economic growth, concerns for the area remain high.

## PROPERTY & INFRASTRUCTURE

Zenith Benchmarks	Total Return Indices	1 Mth %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	Fin Yr TD %	Cal Yr TD %	% Ch. Fr. 12mth High	% Ch. Fr. 12mth Low
Australian Listed Property	S&P/ASX 300 Property Trusts	0.96	-5.04	-22.52	-7.18	20.18	5.96	-8.58	70.25
Global Listed Property	FTSE EPRA/NAREIT GLOBAL REITS (Hedged \$A)	-0.21	15.47	-19.96		25.44	17.28	-4.26	72.71
Global Listed Infrastructure	S&P Global Infrastructure Hedged \$A	3.87	16.95	-3.57	8.42	13.61	14.09	-1.29	47.28

### Summary of Statistics:

- In October Australian Listed Property outperformed global property markets, returning 0.96% against a loss of -0.21% in Global Listed Property
- Global Listed Infrastructure as represented by the S&P Global Infrastructure Hedged \$A returned 3.87%

### Commentary:

November brought a mixed result for global and domestic property sectors, with each region reacting uniquely to market developments. Weakness in the Asian market continued as Japan dragged down the region. However, the Singapore retail sector provided a highlight for the region after CapitalMalls Asia Ltd announced a planned retail expansion into China. The best performing region was North America, rebounding from losses incurred in October.

Dubai World's announcement during the month was also relevant to property markets due its investment in commercial property development. It announced debt repayments would not be able to be made until mid-late 2010. The affect this will have on global property and infrastructure funds investing in emerging markets have yet to be seen.

Domestically, the property market recuperated some of the losses incurred in October, ending the month marginally higher. Large Cap Property trusts outperformed Small Cap Property.

Once again capital raising activity was prevalent in the property sector. Amongst this activity Commonwealth Property Fund raised capital for re-investment, acquiring two derisked developments with \$100m equity and \$200m convertible funding. CFS Retail Trust showed a small increase in gearing with their Q1 update, suggesting the funds risk appetite had returned. Westfield's US occupancy rate increased, however, this was most likely the due to lower rents.

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**Data Source: Thomson Reuters**

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