



## Market Moves Reviewed

- ❖ September was certainly a terrible month on global investment markets. October has not started any better.
- ❖ The German parliament approved, by a large majority, a plan to expand the power of a European bailout fund (**European Financial Stability Fund**) for troubled countries in the EU.
- ❖ **Greece confirmed that they will fail to meet the deficit targets** that were set by the IMF and EU just months ago. This admission came as the ECB and IMF scoured Greece's books to ascertain their worthiness for further bailout funds. The Eurozone finance ministers will **decide by October 13** as to whether to extend the next tranche of €8bn.
- ❖ Claims for **unemployment benefits in the US were lower than expected** for the week at 391,000.
- ❖ The **US annual GDP growth rate was revised up to 1.3%** in the April-June quarter, reflecting modestly more consumer spending and a bigger boost from trade.
- ❖ The number of **US home sales fell in August** to an annual rate of 2.3%, with just 162,000 new homes for sale across the country, the lowest on record.
- ❖ **New Zealand lost its top credit rating, cut from AA+ to AA**, joining Italy and the US among nations whose ratings have been lowered this year. The rating cut follows the weakening effects of the earthquake.
- ❖ The **Australian** housing sector continued to weaken with **new home sales at their lowest levels in more than a decade** and house prices down for a second consecutive quarter.
- ❖ Treasurer Wayne Swan stated that the turbulence on the global economy will make it more difficult to return to surplus in 2012-13, mainly as a result of **lower company tax receipts and a shortfall in tax collected on wages**.

## Month in Review

Index	Monthly
<b>S&amp;P ASX200</b>	<b>-6.71%</b>
<b>All Ordinaries</b>	<b>-6.86%</b>
<b>NZX50 (NZ)</b>	<b>-0.69%</b>
<b>Dow Jones (US)</b>	<b>-3.96%</b>
<b>S&amp;P500 (US)</b>	<b>-4.80%</b>
<b>NASDAQ (US)</b>	<b>-3.83%</b>
<b>Stoxx Europe 50</b>	<b>-3.51%</b>
<b>FTSE100 (UK)</b>	<b>-3.66%</b>
<b>DAX (Germany)</b>	<b>-2.51%</b>
<b>CAC40 (France)</b>	<b>-7.03%</b>
<b>Nikkei (Japan)</b>	<b>-2.84%</b>
<b>Shanghai Composite</b>	<b>-8.11%</b>
<b>CBN China 600</b>	<b>-10.33%</b>
<b>Hang Seng</b>	<b>-12.29%</b>
<b>Crude Oil</b>	<b>-11.80%</b>
<b>Gold</b>	<b>-11.79%</b>
<b>AUD/USD</b>	<b>-8.63%</b>
<i>Capital movements to 30 September 2011</i>	

### OUR PARTNERS

Chris Ball / Peter Camenzuli / Jason Evans / Warwick Face / Nigel Fischer / Katrina Haiduk / Brett Headrick  
Teresa Hooper / Ian Jones / Kylie Lamprecht / Mark Nicholson / Ken Ogden / Norman Thurecht / Ross Walker

### OUR CONTACT DETAILS

Level 30, Central Plaza One 345 Queen Street Brisbane Qld 4000  
GPO Box 3337 Brisbane Qld 4001 / Phone (07) 3222 8444 / Fax (07) 3221 7779 / [www.jr.com.au](http://www.jr.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## The Week Ahead

- ◆ In **Australia**, the RBA meets on Tuesday to decide on rates. International trade, building approvals, and retail trade figures are also released during the week.
- ◆ The Bank of England, Bank of Japan and the European Central Bank also hold policy meetings.
- ◆ In the **US**, figures on manufacturing and services are due as well as factory orders and non-farm payrolls.

## Comment

The Bank of England and Bank of Japan have little scope to cut interest rates, however, the ECB surprisingly raised rates earlier in the year – a move which may be reversed.

As for Australia, the market is currently pricing in a 30% chance of an interest rate cut by the RBA this week. While pressures appear to be mounting in the business sector for an easing in interest rates, the RBA is not expected to act while inflationary pressures remain high. Soft inflation figures (for the September quarter) on October 21 could help the case for a rate cut and any further weakness on global financial markets could also force the RBA's hand.

The housing market in Australia is obviously softening, which was one of the stated aims of the RBA during the latest tightening phase. During 2009 and 2010, with the risk of Australian residential house prices "overheating", and strong growth from the resources sector, the RBA were aggressive in their interest rate management.

Although it is unlikely that the RBA will move today, it is likely that the next move in official interest rates will be lower. Money markets have begun to price in lower long term rates, with deposit rates declining over the last few weeks. Across most of the banks, the 1 year term deposit rates are below the 90-day rates (by between 10-25 bpts).

The focus in recent weeks is clearly centred on the sovereign debt crisis in the Eurozone. So much so, that some positive signs in US economic data have been largely overlooked. Manufacturing in the US accelerated during September, driven largely by productivity and export gains. Construction spending in the US also jumped in August, with spending from state and local governments increasing by the most in over 2 years.

### **An Independent Investment Advisory Practice**

Johnston Rorke is an affiliate of Pitcher Partners, an association of independent firms and independent members of Baker Tilly International.

Liability limited by a scheme approved under Professional Standards Legislation. This material is intended for the use of the clients of Johnston Rorke and JR Wealth Management only. It is current at the date of preparation, but may be subject to change. This document does not constitute financial product advice. It is of a general nature and has been prepared without taking into account any person's objectives, financial situation or needs. Before acting on the information you should consider the appropriateness of it having regard to your objectives, financial situation or needs and seek independent advice. You should obtain and consider a Product Disclosure Statement in relation to any financial product before making any decision about acquiring the product. To the maximum extent permitted by law, JR Wealth Management Pty Ltd and its representatives will not be liable for any loss or damage incurred by any person directly or indirectly from any use or reliance on this document.

### **An Independent Investment Advisory Practice**

[www.jr.com.au](http://www.jr.com.au)

Johnston Rorke is an affiliate of Pitcher Partners, an association of independent firms and independent members of Baker Tilly International.

Investment advice is provided by JR Wealth Management Pty Ltd.

ABN 96 142 456 559 AFS Licence No 357636

Liability limited by a scheme approved under Professional Standards Legislation.

**JR**  
JOHNSTON RORKE  
WEALTH MANAGEMENT  
AFS Licence No. 357636 ABN 96 142 456 559