

# JR Wealth Week in Review

15 November 2011

## News in Review

- The focus of the European debt crisis shifted from Greece to Italy, with bond yields rising to Euro-era highs and levels that have required other European nations to seek bailouts.
- The markets rejoiced on Tuesday (Wednesday our time) when Italian Prime Minister Silvio Berlusconi announced that he would be resigning. Fear returned the following day, however, as investors fretted the possibility of a drawn-out process to form a new government.
- Silvio Berlusconi's official resignation occurred over the weekend. He had been the longest serving Italian Prime Minister in the post-war period. Former EU competition commissioner, Mario Monti, is expected to take over the Prime Ministership and has vowed to work quickly to form a new government.
- Spain reported zero GDP growth for the July – September quarter as domestic spending fell.
- US President Barack Obama announced the broad outlines of a plan to create a trans-Pacific free trade zone at the APEC summit in Hawaii. 9 Apec nations are involved in the Trans-Pacific Partnership (TPP), but China has so far not expressed interest in joining the talks.
- China indicated at APEC that they believe 8% GDP Growth is their sustainable level, slightly lower than their current rate of 9.1%, indicating a soft landing is in progress.
- In Australia, unemployment fell to 5.2% in October from an upwardly revised 5.3% in September.
- Other positive signs on the domestic front were consumer confidence, which rose from 97.2 to 103.4, and demand for home loans, which lifted for the 3<sup>rd</sup> straight month (from 50,706 to 51,821).

## Markets in Review

	Capital Return	
	Weekly	FYTD
S&P ASX 200	0.4%	-6.8%
DOW JONES	1.4%	-2.1%
S&P 500	0.8%	-4.3%
UK FTSE100	0.3%	-6.7%
FRENCH CAC40	0.8%	-20.9%
GERMAN DAX	1.5%	-17.9%
JAPANESE NIKKEI	-3.3%	-13.3%
SHANGHAI COMPOSITE	-1.9%	-10.2%

## The Week Ahead

- In Australia, the RBA released their November board minutes on Tuesday and average weekly earnings figures on Thursday.
- October inflation figures will be released by the US, UK, European Union and Canada during the week.
- 3<sup>rd</sup> Quarter GDP figures will be provided by Japan and the European Union.

## Comment

While the resignations of Prime Ministers George Papandrea (Greece) and Berlusconi (Italy) don't alter the serious debt problems that these nations face, the moves may remove some major hurdles in implementing the changes required to work towards a solution. This of course depends upon how much support the new leaders can muster and maintain. We will be watching this space closely.

Today's RBA board minutes revealed that the decision to cut rates at the November meeting was not clear-cut, and that they had contemplated holding. Economists are now suggesting a December rate cut may be in doubt.