

# Pitcher Investment News

**Global Financial Markets** – The last few months have continued to see pressure on financial markets as forecasts for global growth are reduced, property prices continue to fall in the USA and Europe and stress on financial institutions (notably Freddie Mac and Fannie Mae in the US) mounts. We have now seen 9 US banks fail and the US Federal Deposits Insurance Corp now has 117 banks on their watch list.

**World Recessions** – The GDP number released last week for second quarter growth in the US was an upwards revision from an annualised 1.9% to 3.3% largely on the back of strong export growth driven by a weak \$US. This is clearly not recessionary yet, however, most if not all of the largest 7 world economies remain at risk of impending recession.

**Australian Reporting Season** – The crucial Australian company reporting season is now over and, as widely expected, results for the 2007/08 year were an increase in earnings per share growth of 4.2%. However, a number of companies wrote down assets, increased provisions and sustained losses. Moreover, companies were generally reluctant to provide confident future profit guidance in the face of uncertain financial conditions.

	IN LINE WITH EXPECTATIONS	POSITIVE SURPRISE	NEGATIVE SURPRISE
176 REPORTS	50%	25%	25%

Source: ABN Amro

**Interest Rates** – As widely anticipated by the market, the RBA cut interest rates by 0.25% on 2 September. The market is currently factoring in further rate cuts to 6.5% over the rest of 2008 and a move to 6.25% during the first half of 2009. As a result cash rates are reflecting these lower expectations. Globally, by contrast, the market anticipates rates in the US, UK and Europe to remain stable, with a risk to increasing, as central banks target emerging inflationary pressures in their economies.

**Sentiment** – Sentiment improvement is crucial for markets to recover and we are watching for the following variables to improve sentiment:

- End to fall in property prices
- End to bank write offs, asset sales and capital raisings
- Beginning of merger and acquisition activity
- Earnings upgrades
- Mild US and world recession

There has already been some positive shift in sentiment as a result of the stronger \$US (weaker \$A), lower oil prices and falling interest rates

**Did the Markets Bottom on 15 July?** – It is far to early to say, but the day that Ben Bernanke briefed the Senate and changed his concerns from growth to inflation, does seem to have been an inflexion point. Between 15 July and end August - financials, banks, insurance and industrials are all up, and the big winners have been property trusts, the building sector, the retail sector and the transport sector. Volatility remains, but on 15 July 2008:

ASX bottomed and is up 6% / Dow Jones bottomed and is up 5%

US\$ bottomed and is up 9% / A\$ peaked and is down 13%

Gold price peaked and is down 15% / Oil price peaked and is down 17%



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**Sue Dahn**  
Executive Director  
Ph 03 8610 5124  
sue.dahn@pitcher.com.au

## REMINDER

**19 September Client Briefing** – Just a reminder that we have a Client Briefing on the current state of the equity, property and bond markets with speakers from PIMCO, Pengana and SG Hiscock coming up on 19 September and registrations are now filling. If you wish to attend please contact Georgina Bosch on 03 8610 5194.

## Financial Markets - 29 August 2008

Share markets	Current Level	2 Month Return	12 Month Return
MSCI AC World ex-AUS	3124	-3.57%	-10.73%
AUS ASX 200	5136	-1.53%	-17.79%
AUS ASX 200 (Acc)	33652	-0.66%	-14.24%
US Dow Jones	11544	1.74%	-13.58%
US S&P 500	1283	0.22%	-12.97%
US Nasdaq	2368	3.25%	-8.81%
JPN Nikkei	13073	-3.03%	-21.10%
UK FTSE 100	5637	0.19%	-10.58%
German DAX	6422	0.06%	-15.92%
French CAC	4483	1.08%	-20.84%
HK Hang Seng	21262	-3.80%	-11.35%
Shanghai Comp	2397	-12.38%	-54.06%
Jakarta IDX	2166	-7.80%	-1.29%
Philippines	2688	9.27%	-20.12%
India Sensex	14565	8.19%	-4.92%
Sth Korea Kospi	1474	-11.98%	-21.30%
NZ All Index	880	4.74%	-20.64%
Saudi Tadawul	8899	-4.45%	10.49%

Property			
ASX 200 Prop (Acc)	28474	4.82%	-35.34%

Commodities			
Gold (oz)	830	-10.25%	23.35%
Oil (barrel)	116	-17.44%	56.19%
Corn	19	-23.62%	48.26%
Aluminium	2683	-12.76%	7.30%
Copper	7510	-14.42%	-0.92%
Lead	1959	12.88%	-40.37%
Nickel	20300	-6.34%	-32.89%
Tin	19955	-14.39%	28.91%
Zinc	1721	-8.24%	-43.96%

Currency			
AUD/USD	0.8580	-10.50%	4.77%
AUD/EUR	0.5845	-3.96%	-2.75%
AUD/GBP	0.4709	-2.12%	16.03%
AUD/JPY	93.36	-8.30%	-1.50%

Official Cash Rates	
New Zealand	8.00%
Australia	7.25%
China	7.47%
United States	2.00%
United Kingdom	5.00%
Euro-Zone	4.25%
Japan	0.50%

Aust Interest Rates	
10 Yr Govt Bond	6.45%
PPIS ANZ	6.75%
SGB AT CALL	7.23%
SGB 30 Day TD	7.27%
SGB 60 Day TD	7.26%
SGB 90 Day TD	7.37%

*"In a difficult business, no sooner is one problem solved than another surfaces – never is there just one cockroach in the kitchen."*

Warren Buffet (1930 - )