

Cash and Fixed Interest – Quarterly Report



JANUARY – MARCH 2009

Cash and fixed interest is a relatively low risk investment, offering low returns over a short period of time. Generally, you're looking at a set fixed rate of interest at the time of purchase and, unlike shares, you pretty much know what you're going to get.

One thing to bear in mind is inflation. For example, if the interest rate on your cash is 5% p.a. and the annual inflation rate is 4% p.a., your real return is 1% p.a.

Quarter 1 review.

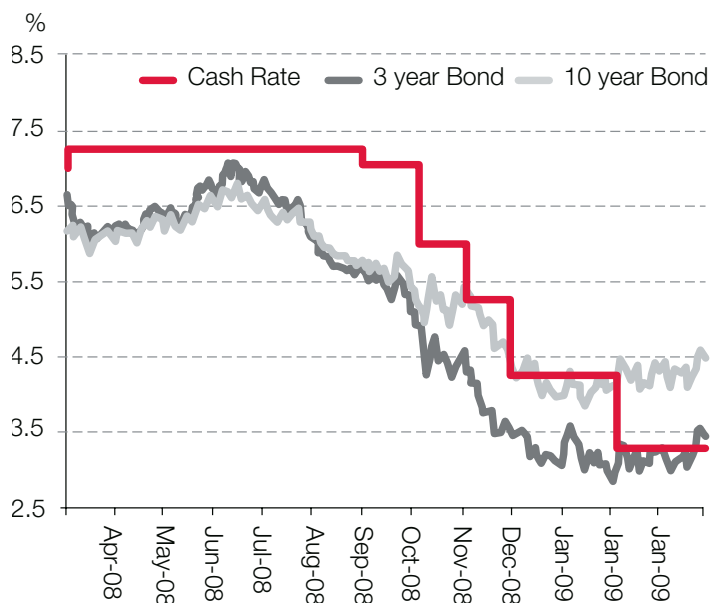
The flow of poor economic data continued in the March quarter. Activity in the main industrial economies recorded its largest contraction since at least the early 1980s.

The Australian economy has not been immune to the global downturn, with the non-farm economy entering a recession. Earlier cuts in interest rates and the Government's first fiscal stimulus package has had a positive effect, with consumer spending improving in recent months and housing activity showing signs of recovery.

Outlook

In March, the Reserve Bank of Australia paused in their easing cycle, keeping the cash rate steady at 3.25%. Recent commentary from the RBA suggests they are satisfied with their action to date and are interested to see the impacts of the monetary and fiscal stimulus already in the pipeline. They have left room for further cuts in the future, dependent on global developments. Analysts believe the general weakening of the world economy will deepen further and expect monetary policy easing will continue, albeit at a slower pace.

Australia Cash Rate



The legal bits.

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