

APRIL – JUNE 2009

Cash and fixed interest is a relatively low risk investment, offering more modest 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 3% p.a., your real return is 2% p.a.

Review of the quarter

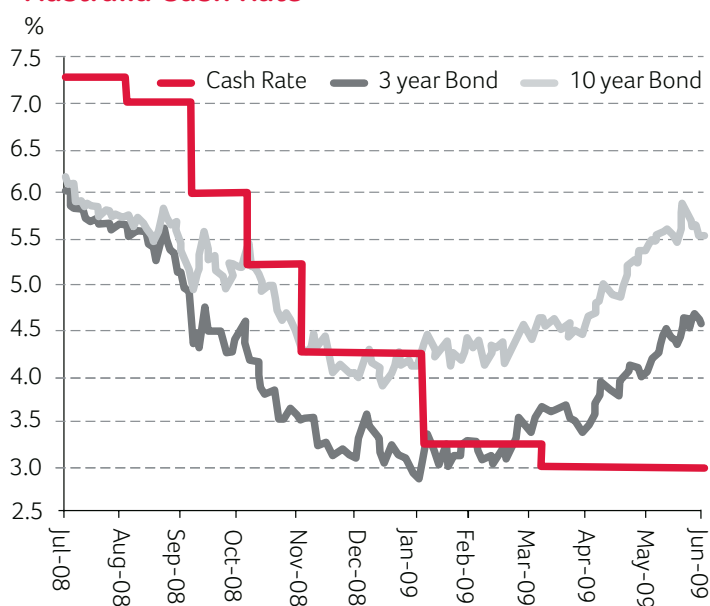
The June quarter had a similar theme to the March quarter, with the latest round of Government handouts driving a further strong rise in retail spending. Meanwhile, the earlier sharp fall in mortgage rates along with the first home owners grant, is driving a strong upswing in housing activity. The RBA left rates on hold throughout the quarter while analysts have pared back their expectations for further rate cuts.

Domestically, business credit contracted during the quarter as the earlier weakness in global demand saw businesses significantly scale back investment. Despite this, Australia was the envy of the industrialised world by recording positive growth in the March quarter as significant policy stimulus helped lift consumer spending, while Chinese demand boosted exports. A similar theme remained evident in the June quarter, with the latest round of Government handouts driving a further strong rise in retail spending. Meanwhile, the earlier sharp fall in mortgage rates along with the first home owner's grant, is driving a strong upswing in housing activity.

Outlook

The RBA left rates on hold throughout the quarter while analysts have pared back their expectations for further rate cuts. Some analysts believe markets are too optimistic in thinking Australia has gone through the 'economic setback' with ease and have therefore taken a long duration stance.

Australia Cash Rate



The legal bits.

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