

JULY – SEPTEMBER 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.

Quarter 3 Review

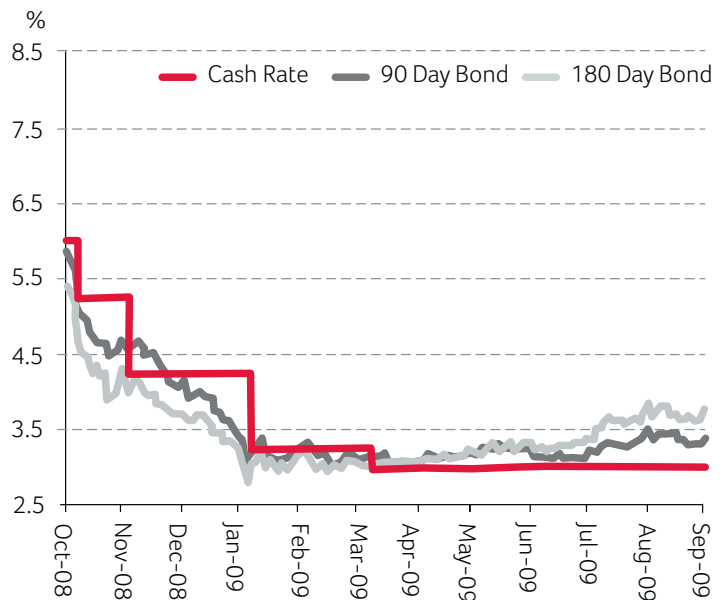
Throughout the quarter, global markets continued their risk rally as positive sentiment continued to build on the back of improvement in a range of economic indicators in conjunction with some more upbeat commentary from Central banks.

Domestically, a similar theme emerged with Governor Stevens suggesting that the Australian economy was performing better than expected and that it would be possible to raise the cash rate before the unemployment rate had peaked. This saw the market price in faster rate hikes by the RBA and consequently bank bill yields increased throughout the period. Yields on 90 day securities rose to 3.38%, whilst yields on 180 day securities surged to 3.78%.

Outlook

Globally, central banks are unlikely to start raising interest rates, which will likely keep the RBA cautious in their frequency and magnitude of rate hikes. Some analysts perceive the Australian market as fairly priced at the moment given the economic data and RBA rhetoric.

Australia Cash Rate



The legal bits.

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