What's happened over the last 4 months:

- Australian share prices on average down by: -0.6%
  i.e. it has barely moved.

- Reserve Bank of Australia official cash interest rate is down by 0.5% (0.25% on 8/5/13 and 0.25% on 7/8/13) to: 2.5% p.a.

  This is because the Reserve Bank is worried that growth in the Australian economy is slowing too much and the $A is too high.

- Australian 10 year Commonwealth Government Bonds have sold off (price falls) so the interest payable as a percentage of the purchase price has increased from 3.04% to 4.02% p.a.

  This is the opposite of what has happened to short term rates and is indicative of a small increase in inflationary expectations – perhaps due to all the extra money printing occurring globally (USA, Japan, UK and Eurozone) and also the falling $A.

- Australian unemployment rate is up to: 5.7%
  from 5.4% in March.

- Australian inflation hasn't changed much and is still approximately around: 2.5% p.a.

  which is the middle point in the Reserve Banks target range of 2% to 3%.

- The $A ha fallen by nearly: -10%

  as measured by the basket of overseas currencies forming the Trade Weighted Index.

- US share prices are up: 2.4%

- US short term interest rates are virtually unchanged at not much above zero 0.26% p.a.

- US 10 year Government bonds have also sold off (price falls) so interest payable as Percentage of the purchase price has increased: From 1.74% to 2.9% p.a.

  Same comments as applied to Australian bonds (above) regarding inflation apply here.

- Japanese share prices are up 2.6%

- UK share prices are down -0.7%

- European share prices are virtually unchanged

- European short term interest rates remain very low and virtually unchanged at 0.23% p.a.

- German 10 year Government bonds have also sold off (price falls) so interest payable as a percentage of the purchase price has increased from: 1.24% to 1.94% p.a.

What can we conclude form these numbers?

Excluding a "Black Swan" event (e.g. a significant war) economic growth would appear to be occurring in Australia and globally at a slow rate, but at least not a recession. For the rate of growth to pick up I believe consumer confidence world wide needs to improve so that consumers start spending more than at present (savings rates at present are at high levels from a historical perspective). If they spend more, then economic activity will pick up. What can trigger an improvement in confidence and willingness to spend? I'm not sure, but I think in Australia some are hoping lower interest rates on deposits and lending will loosen some purse strings. Maybe a change of Government (provided they can control the Senate) might help to provide more certainty. Personally I believe a major reduction in "Red Tape" would boost economic activity in Australia significantly – if the costs of doing business were materially reduced, many Australian businesses would do better (both locally and overseas), which would improve the employment prospects (jobs & wages) for Australians and also increase the Government's tax receipts. What chance the Government and the law makers would embark on a Red Tape reduction agenda? I'm a cynic about politicians and the people that control them so I would think "Not (censored) Likely".

So what is my outlook for the various market sectors:

No real change from my last outlook (6/6/2013). Some markets are hard to pick (especially short term forecasts), so I continue to stress the need to be diversified and selective as to which investments to pick within each of the sectors.

Sector Outlooks

Cash	Always useful to have access to some cash but probably don't keep too much in this form for too long at rates around 2.5%.
Term Deposits	Mostly safe, but don't appeal to me at all at current rates on offer (4% or less).
Other Fixed Interest Securities	
- Australian	Avoid Australian Government Bonds – ignoring the short term there is more downside than upside at current rates. Selected corporate securities are fair value but due to complexities in their structure some are over priced.
- Global	Avoid most developed country Government Bonds like the plague (particularly long term US, Japan, UK, Germany and a few others). Some Government Bonds (not those mentioned above) and selected corporate securities look to be fair to good value.
- Shares	Need to be selective. I prefer global (unhedged) slightly over Australian at the moment. I still like emerging markets (particularly due to recent price falls of around 6% on average). In Australia I prefer smaller companies to larger ones for those of you who are patient and I have a slight leaning towards some resource companies from a "contrarian" point on view – the resources boom may have taken a breather but as the supply and demand sides respond (as they do) another surge will occur for quite a few, but not all, commodities. To be fair however I don't profess to have a clear timetable in mind.
- Property (Australian & Global)	Listed Australian property funds are in my opinion just fair value at present. Expect to generate returns of around 8% p.a. (6% income +2% capital growth) from some of the better ones. Retain existing exposures but if an opportunity arises to switch some of the listed exposure to quality direct exposure then take it, because some direct property looks to be better value than listed alternatives, despite not being as liquid, e.g. good yields (7.5% +), new or near new properties, well located, with zero or very low vacancies, on long term leases to blue chip tenants, with ratchet clauses built into the leases. Global property is a bit of a mixed bag with some good value and some to be avoided.