

Retirewell eNewsletter

Exclusive Client Email Newsletter – 8 January 2013

Market recovery should continue in 2013

The Australian sharemarket's performance over the last five years ranks among the worst in history alongside the depressions in the 1890s and 1930s, World Wars I and II and the 1970s' OPEC shocks and recession.

So far, the Australian sharemarket's recovery (after the GFC) has been the slowest on record. However, the 18% rebound in the Australian share prices over the last 7 months may augur well for returns in 2013.

From where we are now, the starting point looks favorable: earnings and company gearing are low compared with history, and could normalise. Equities should be supported by a gradual rise in earnings from below-trend levels, cheap valuations versus bonds, and a reduction in investors' underweight positioning.

Recent positive economic news on a number of fronts – the avoidance of the “fiscal cliff” in the US and a turnaround in the American economy, China's soft landing and subsequent pick-up, the greatly reduced risk of a Eurozone collapse, and the start of a cycle of interest rate cuts in Australia – give us confidence that the market recovery should continue in 2013.

Dr Shane Oliver, Head of Investment Strategy and Chief Economist at **AMP Capital Investors**, reviews 2012 and gives his outlook for 2013 in a recent paper which we have attached.

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