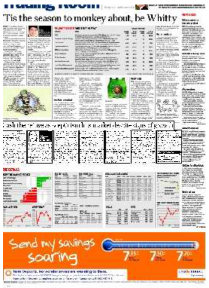
MEDIA MONITORS



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Cash the refuge as scepticism hits market despite signs of growth

AUSTRALIA'S economy is still growing but market professionals are sceptical about the sharemarket's prospects in 2008.

As the S&P/ASX 200 Index posted its sixth consecutive day of losses, research from the Russell Investment Group found the only asset class Australian investment managers viewed positively was cash.

And 43% of respondents from the 44 firms surveyed said they expected zero or negative returns on Australian shares next year.

Yesterday the benchmark index lost 20.5 points, or 0.3%, to 6216.4 points. It has risen 9.6% this calendar year, but has fallen about 9% from its November 1 peak, as US woes have weighed on people's minds.

However, the economy is still expanding and the Westpac-Melbourne Institute Leading Index of Economic Activity was at 5.5% for the year to October, well above annual trend growth of 4.2%.

Westpac predicts the economy will grow by 4% in 2008, backed by consumer spending, wages growth, strong employment and tax cuts.

Still, research by State Street Global Markets found investor confidence had fallen globally during December. North Americans were the gloomiest, and their confidence fell more than 10 points to a historic low of 65.3.

"Increasing concern among heavyweight forecasters that the US will tip into recession in 2008 seems to have been the final straw for investors," said State Street's Andrew Capon.

In the market, the Big Four banks fell. Westpac lost $1.01, or 3.5%, to $27.79, and Commonwealth Bank fell $1.47, or 2.5%, to $58.53.

Allco Finance sank 44¢, or 7.8%, to $5.44, while All Ordinaries-listed Boulder Steel lost 5¢, or 17.5%, to 23.5¢.

The listed property trust sector continued to fluctuate wildly, with Centro Properties gaining 40¢, or 49.7%, to $1.205 and Centro Retail Trust adding 10¢, or 15.4%, to 75¢. Still, Centro Properties has lost almost three-quarters of its value in three days because it has been unable to refinance billions in loans (see graph below).

Goodman Group recovered a further 50¢, or 11.4%, to $4.90 and civil engineering and contract mining company Macmahon Holdings rose 19¢, or 12.9%, to $1.66.

Credit Suisse said its Emerging Markets Infrastructure Development Trust had listed with $82 million under management. It closed 5% higher, at $1.05 a share. East Energy Resources completed its first day of trade 60% higher, up 15¢ to 40¢, and Bathurst Resources rose 4¢, or 20%, to 24¢.

Small servings of good news, including base metals' slight gain on the London Metals Exchange, were enough to push the dollar above US86¢. It was buying US86.26¢ last night

But responding to the global credit crunch and problems in the subprime mortgage sector, Moody's Investors Service downgraded $US50.9 billion in collateralised debt obligation (CDOs) securities during November. The downgraded securities represent almost 10% of outstanding Moody's-rated US CDOs.

And the ratings agency said it expected further downgrades in coming months — as of November 30, about $US174.1 billion in US CDOs were earmarked for review.

Meanwhile, US housing starts fell, as expected, by 3.7% in November. Building permits dropped 1.5% to the lowest in more than 14 years.

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