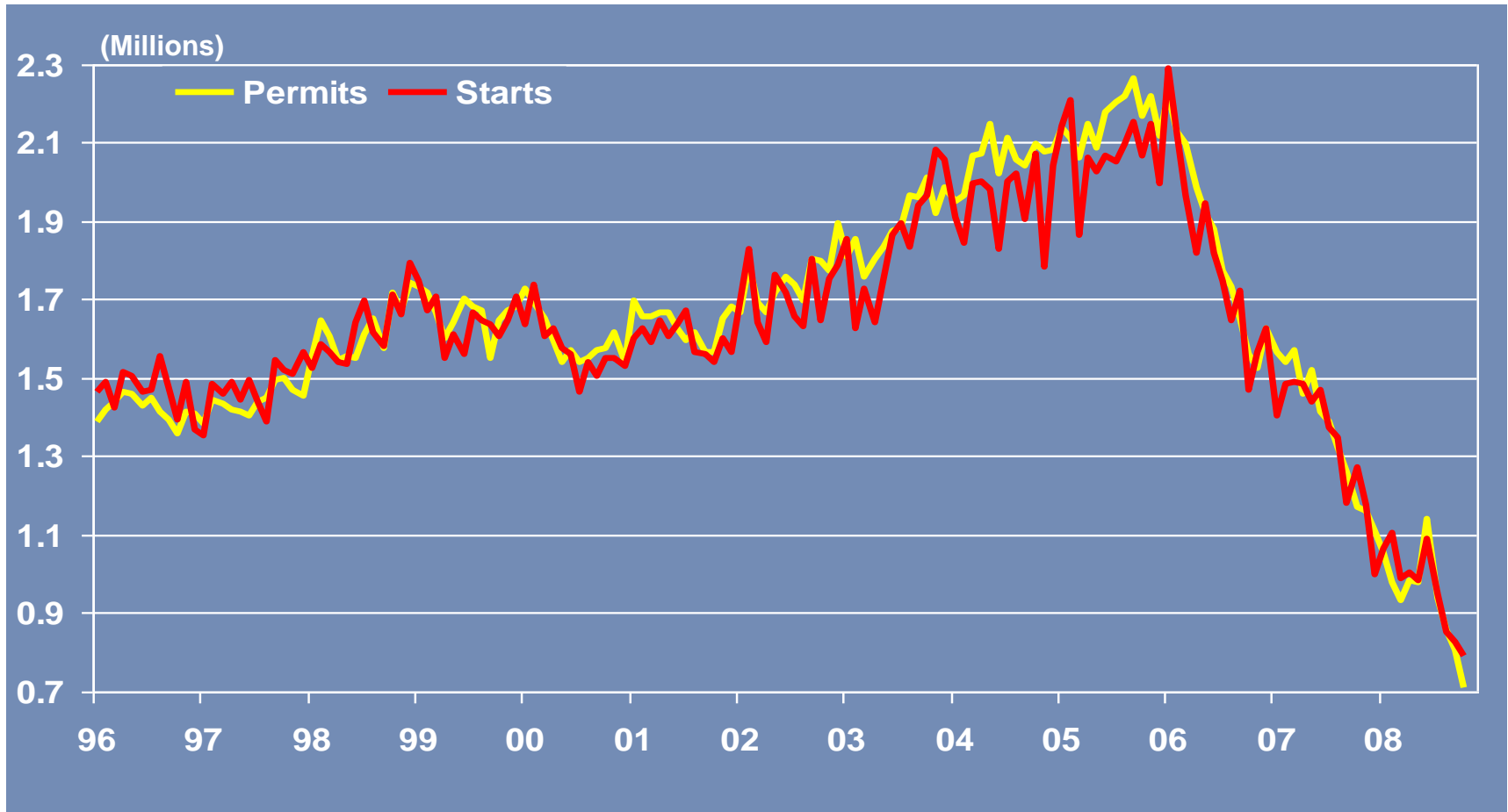


A Global Economic and Market Outlook

Presented by Dr Chris Caton

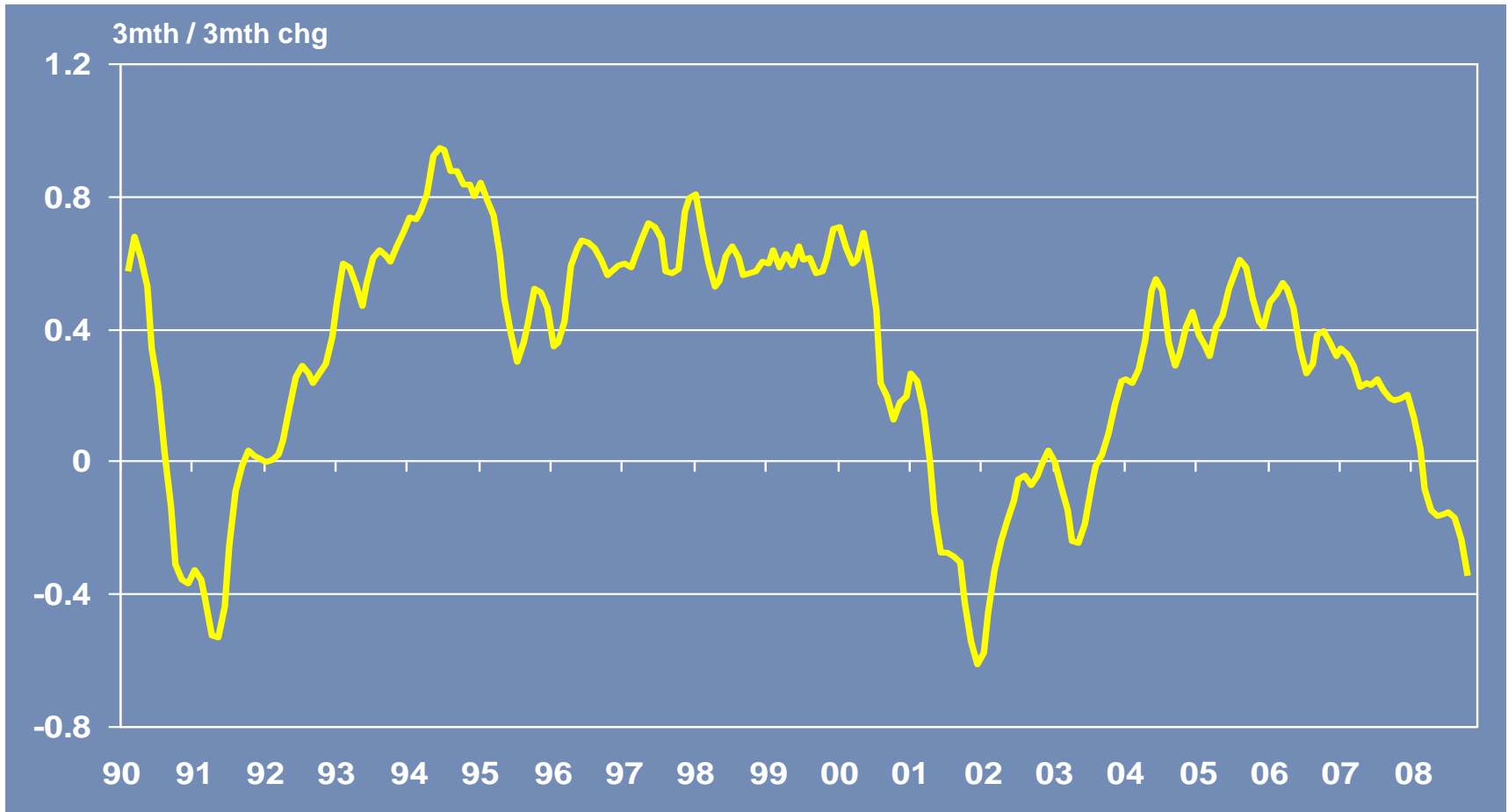
December 2008

US Housing starts and Permits



Source: Datastream

Total US Non-farm Employment



Source: Datastream

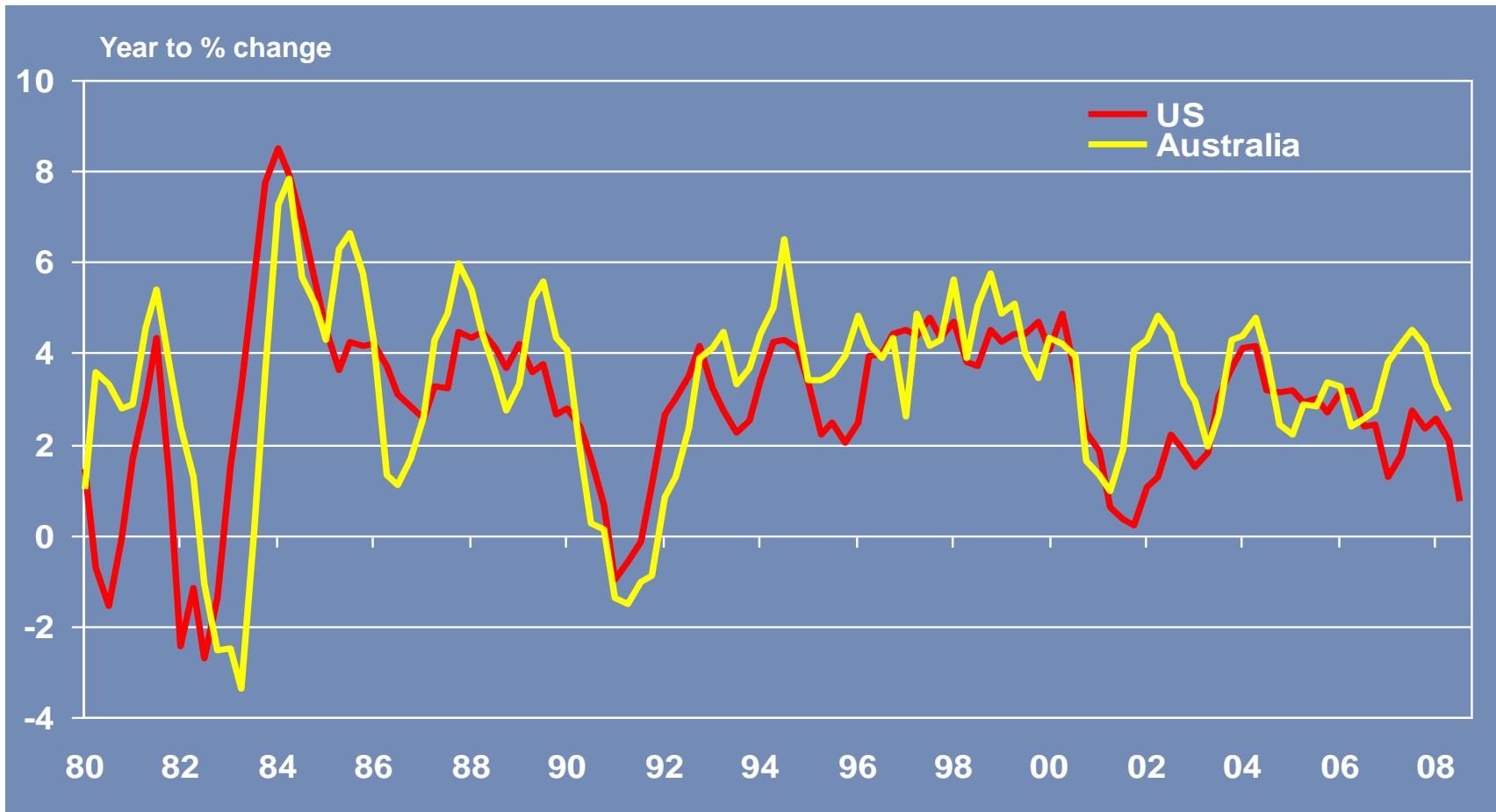
2009 Growth Forecasts (%)

Month of Forecast

	M-08	J-08	J-08	A-08	S-08	O-08	N-08
Australia	3.0	2.8	2.8	2.6	2.6	2.1	1.7
New Zealand	2.1	2.1	1.8	1.7	1.7	1.3	0.6
US	1.9	1.7	1.5	1.4	1.4	0.0	-0.6
Japan	1.6	1.5	1.3	1.2	0.9	0.5	-0.1
China	9.3	9.4	9.3	9.2	9.1	8.8	8.1
Germany	1.5	1.3	1.2	1.1	0.8	0.3	-0.4
UK	1.6	1.3	1.0	0.9	0.6	-0.2	-0.9
“World”	3.0	2.9	2.7	2.6	2.5	1.9	1.1

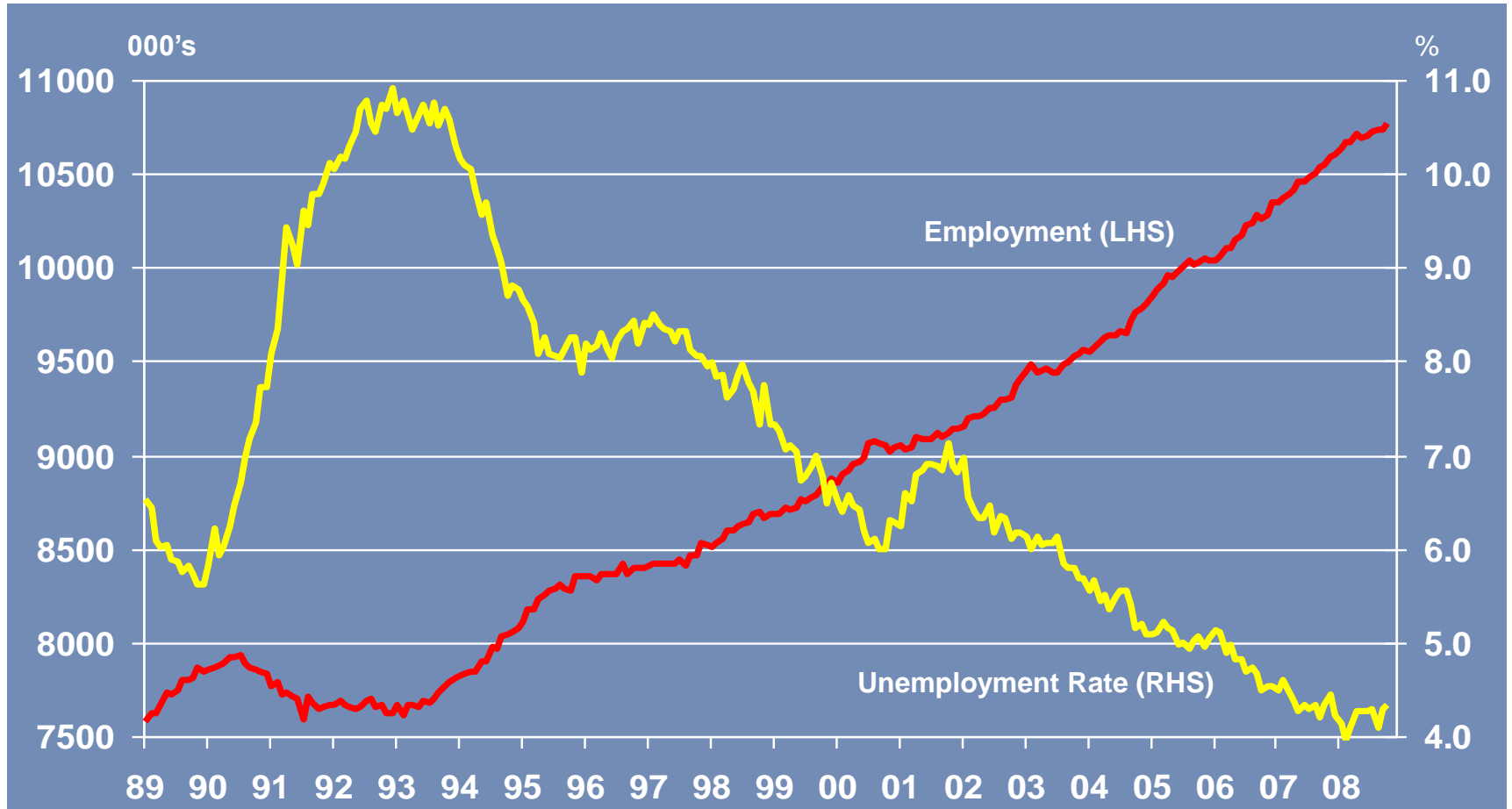
Source: Consensus Economics

Real GDP growth in Australia and the US



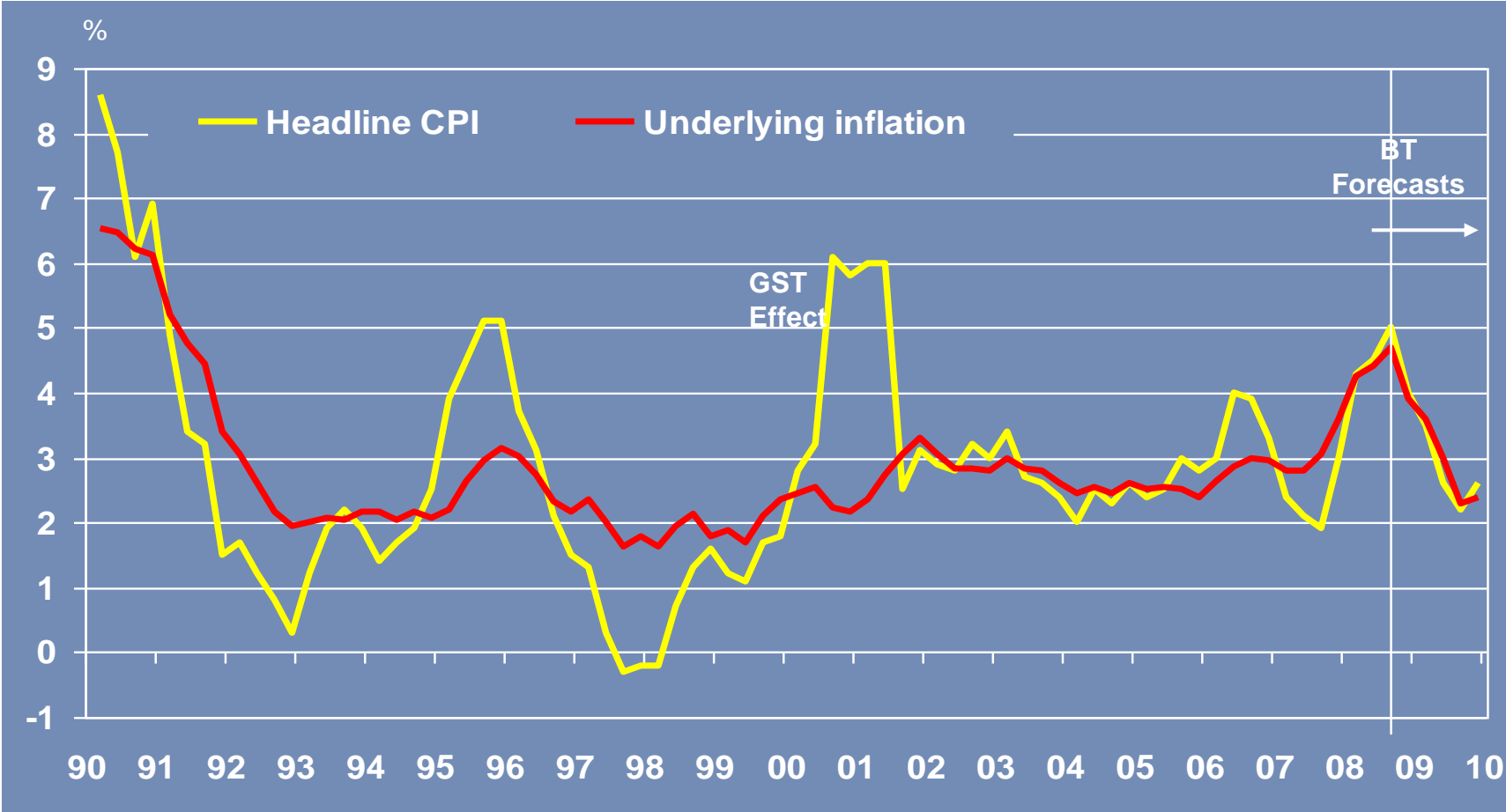
Source: Datastream

The Labour market



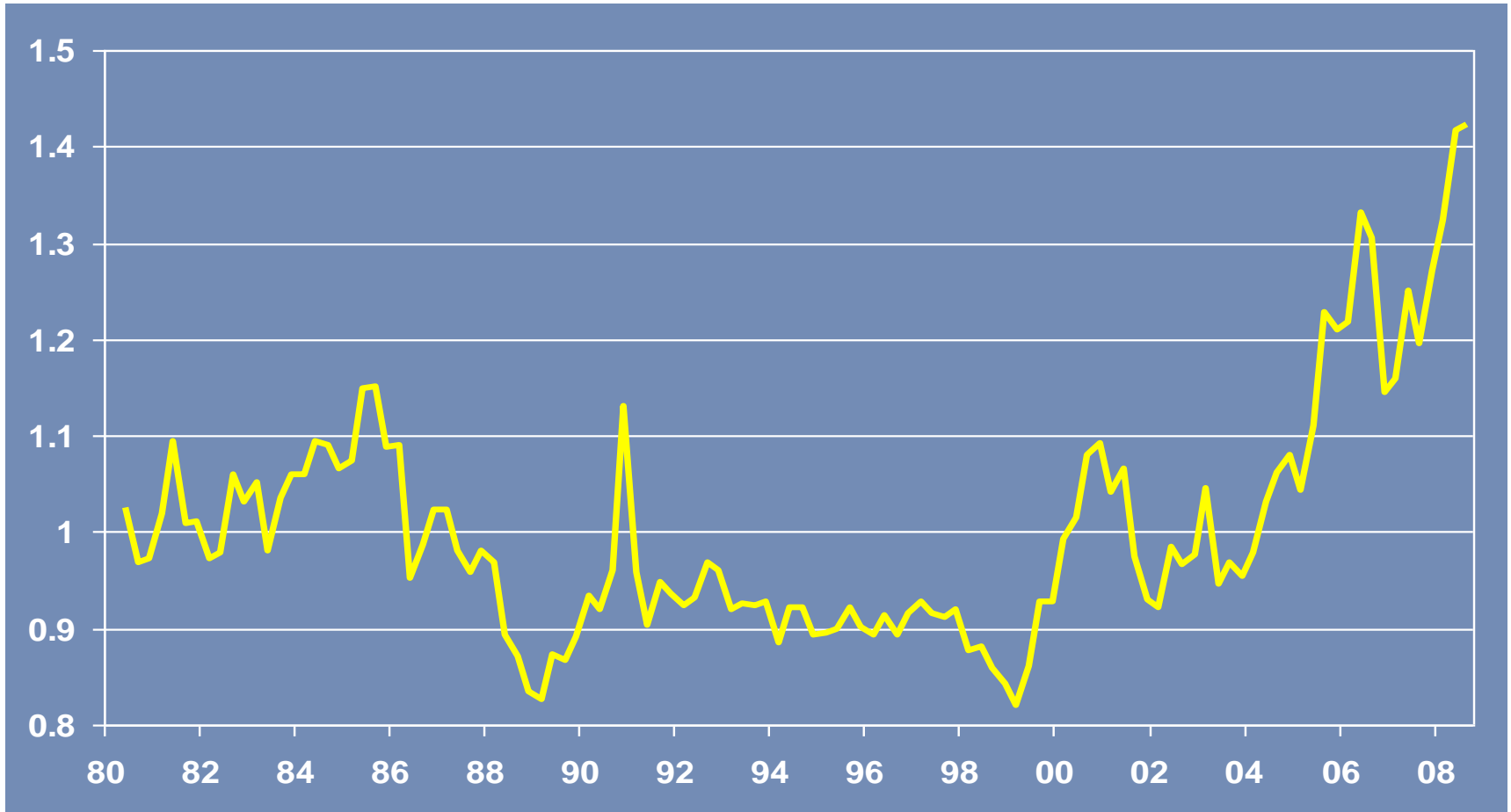
Source: ABS

Australian Inflation

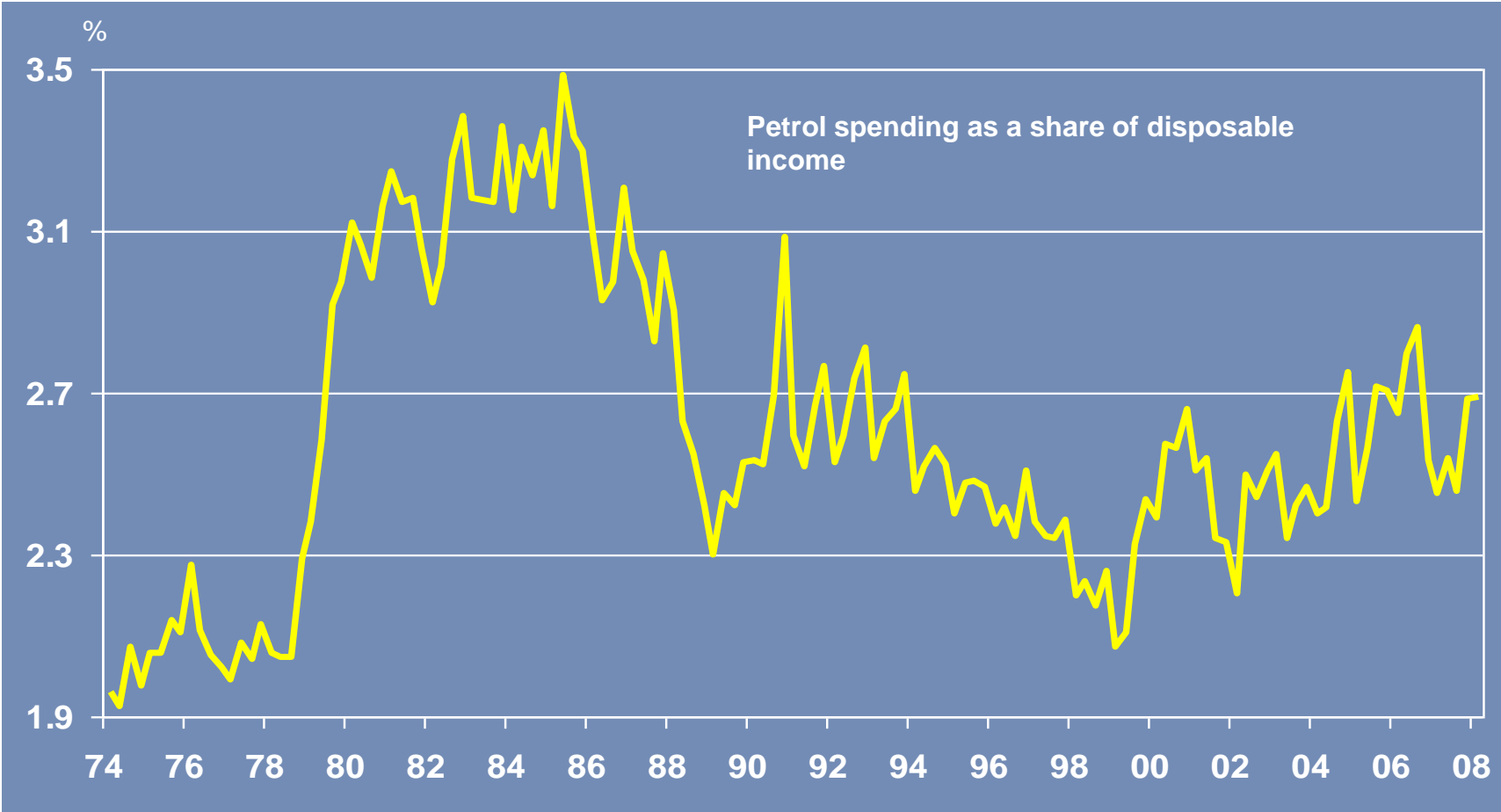


Source: ABS

Petrol Prices relative to CPI

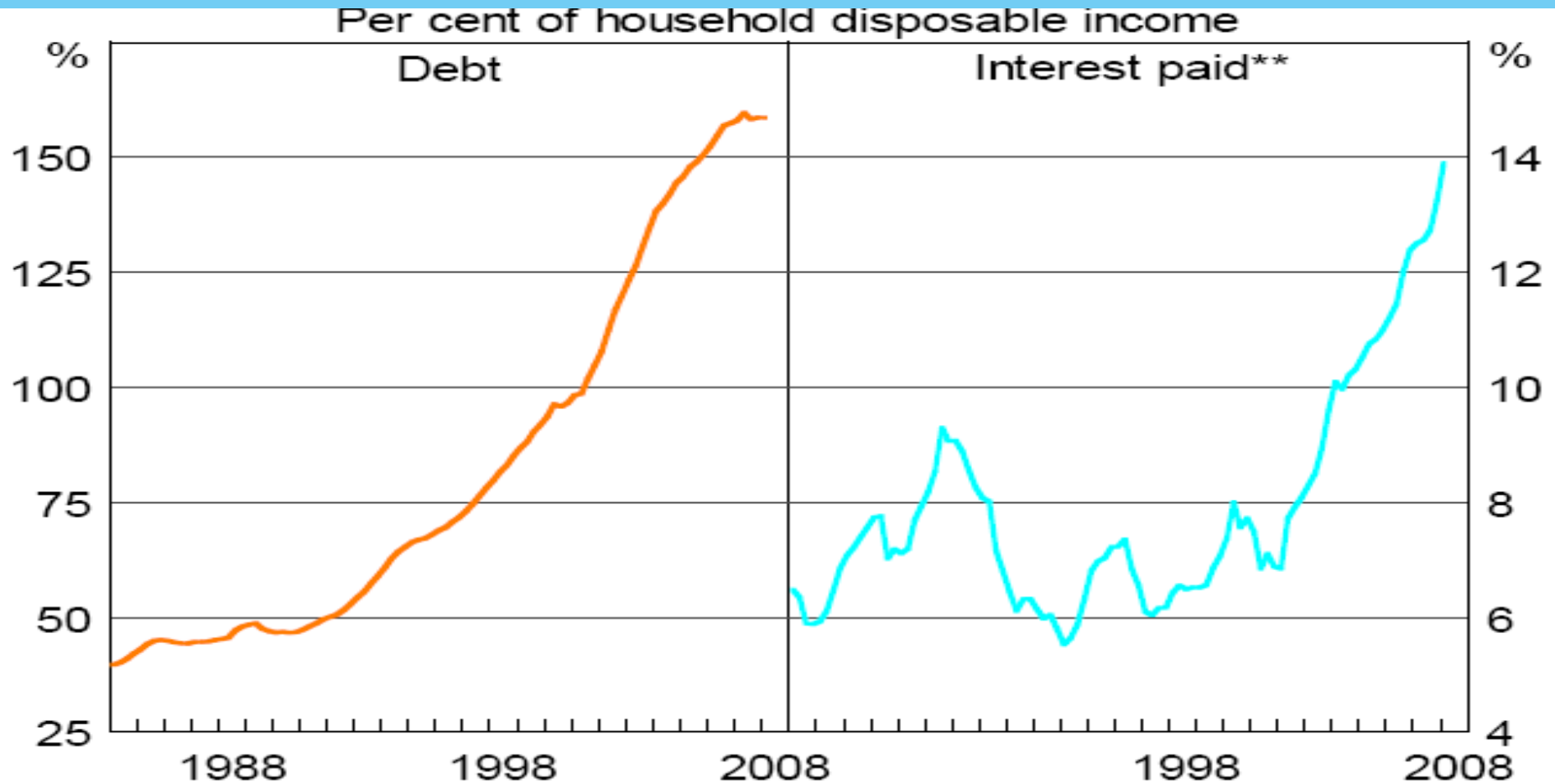


Petrol spending as a share of disposable income



Source: ABS

Household debt and interest

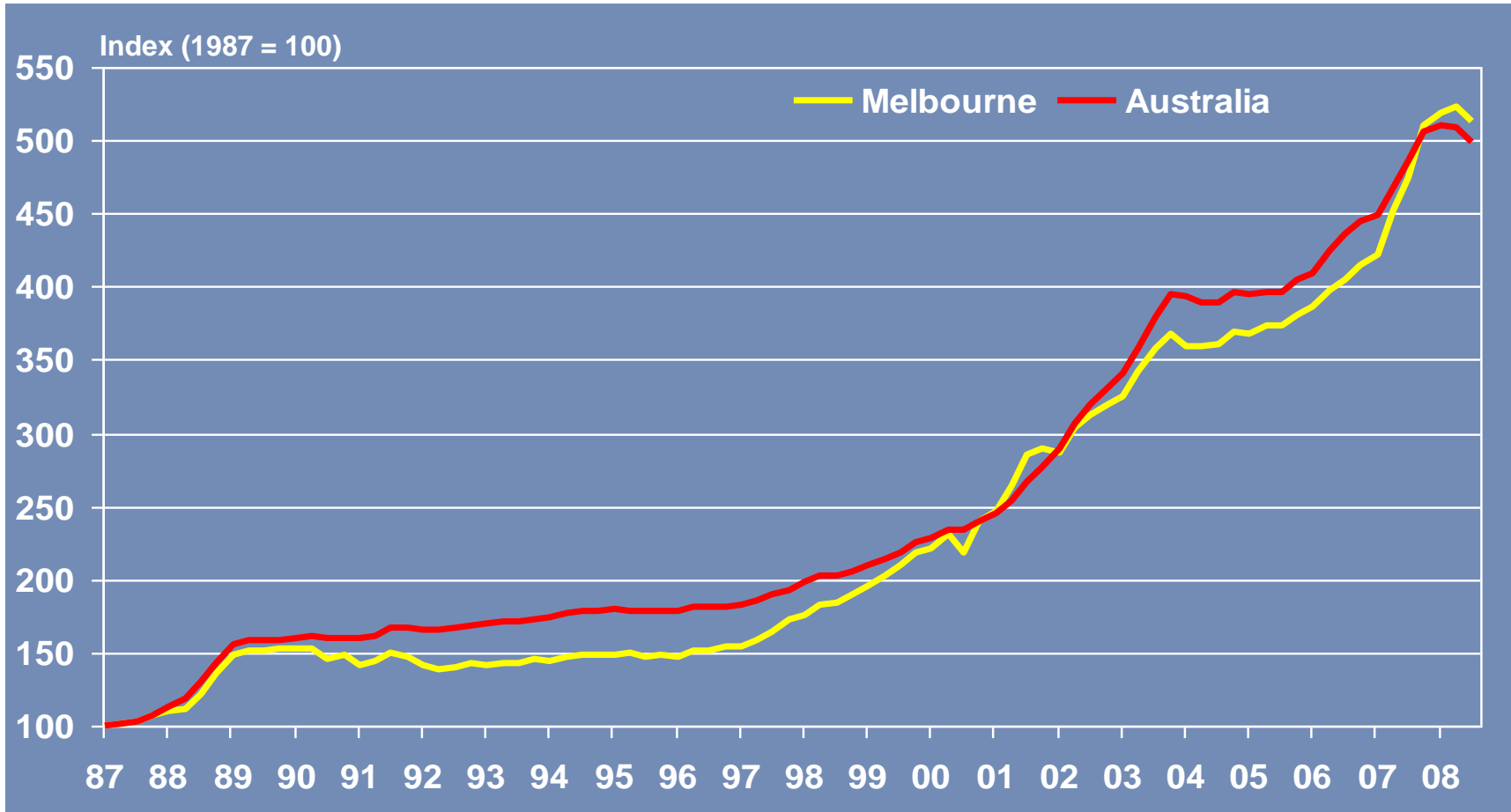


* Household sector excludes unincorporated enterprises. Disposable income is after tax and before the deduction of interest payments.

** Includes imputed financial intermediation service charge

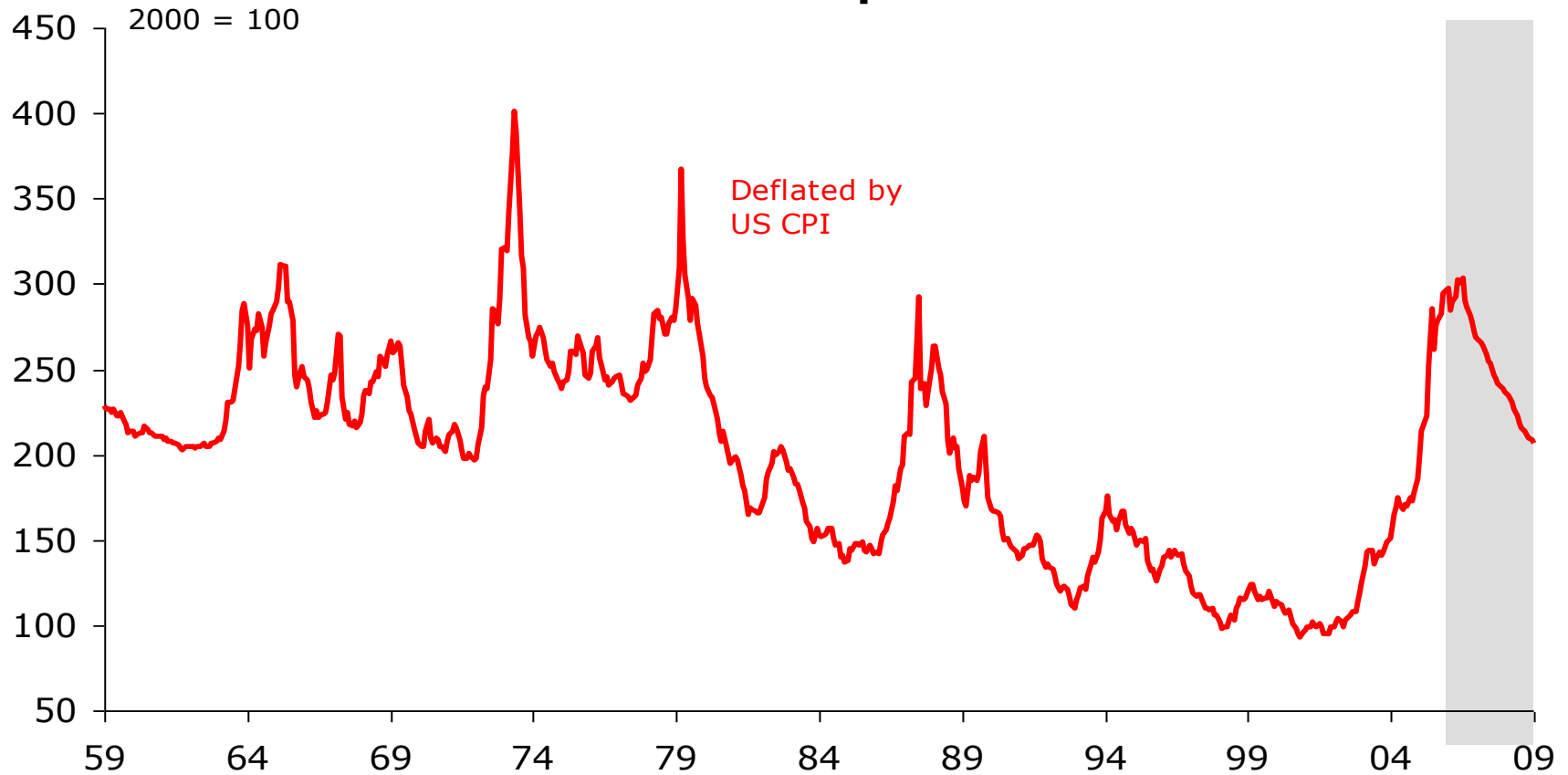
Sources: ABS; RBA

House Prices - Australia v Melbourne



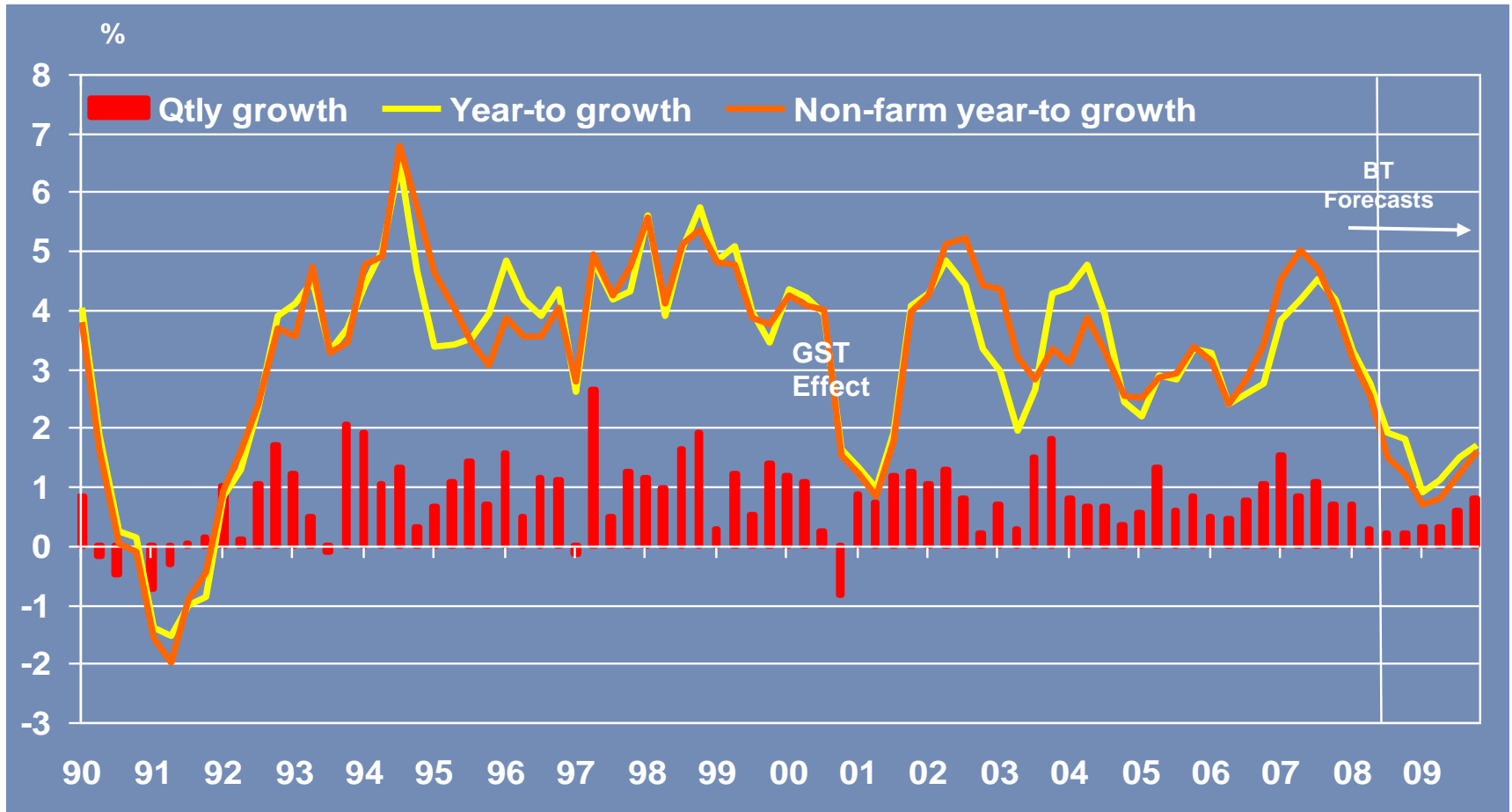
Commodity prices are finally falling

Real metal prices



Sources: IMF International Financial Statistics; US Bureau of Labor Statistics; Economics@ANZ.

Gross Domestic Product

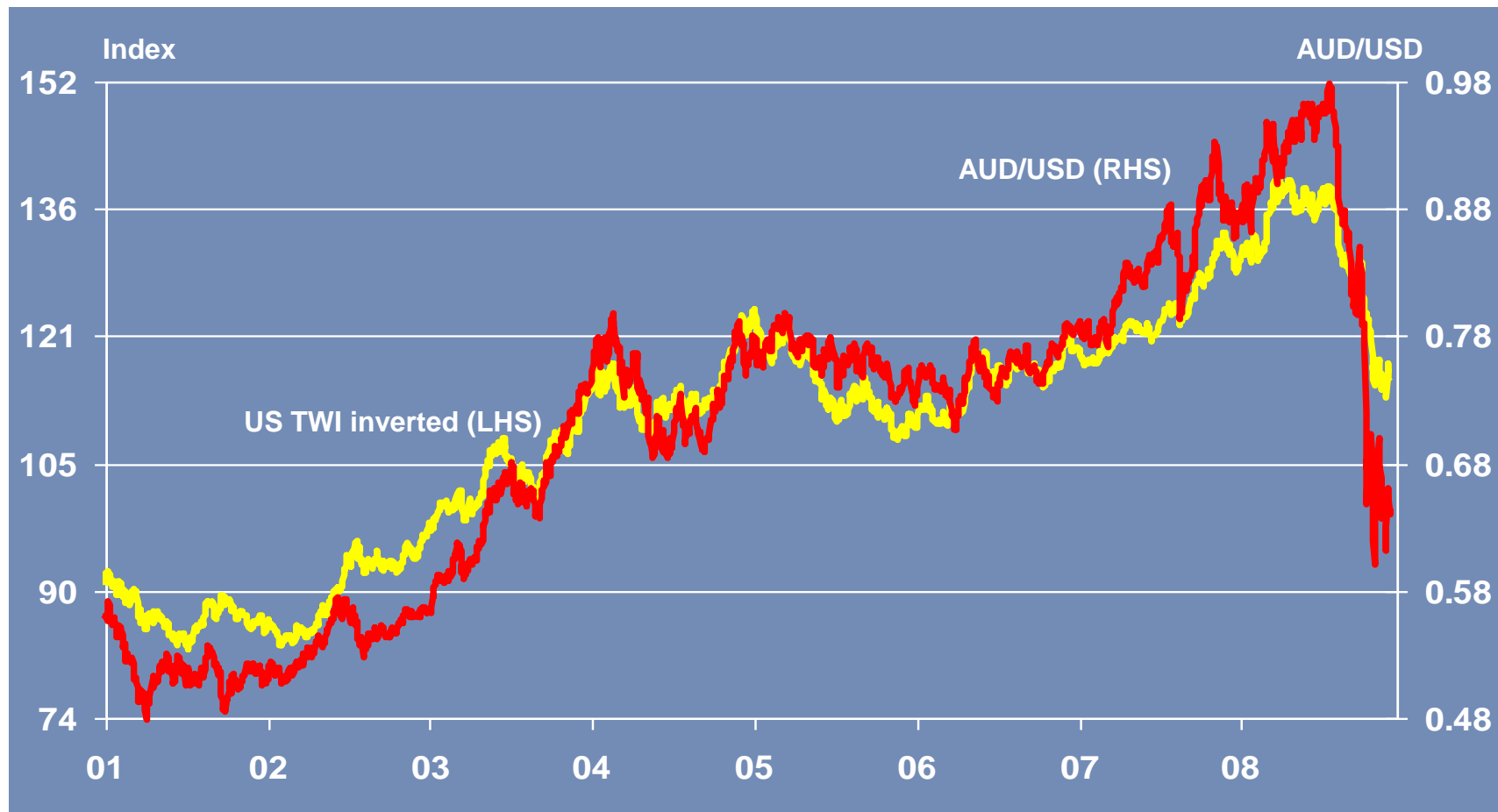


Source: ABS

Financial Market Forecasts

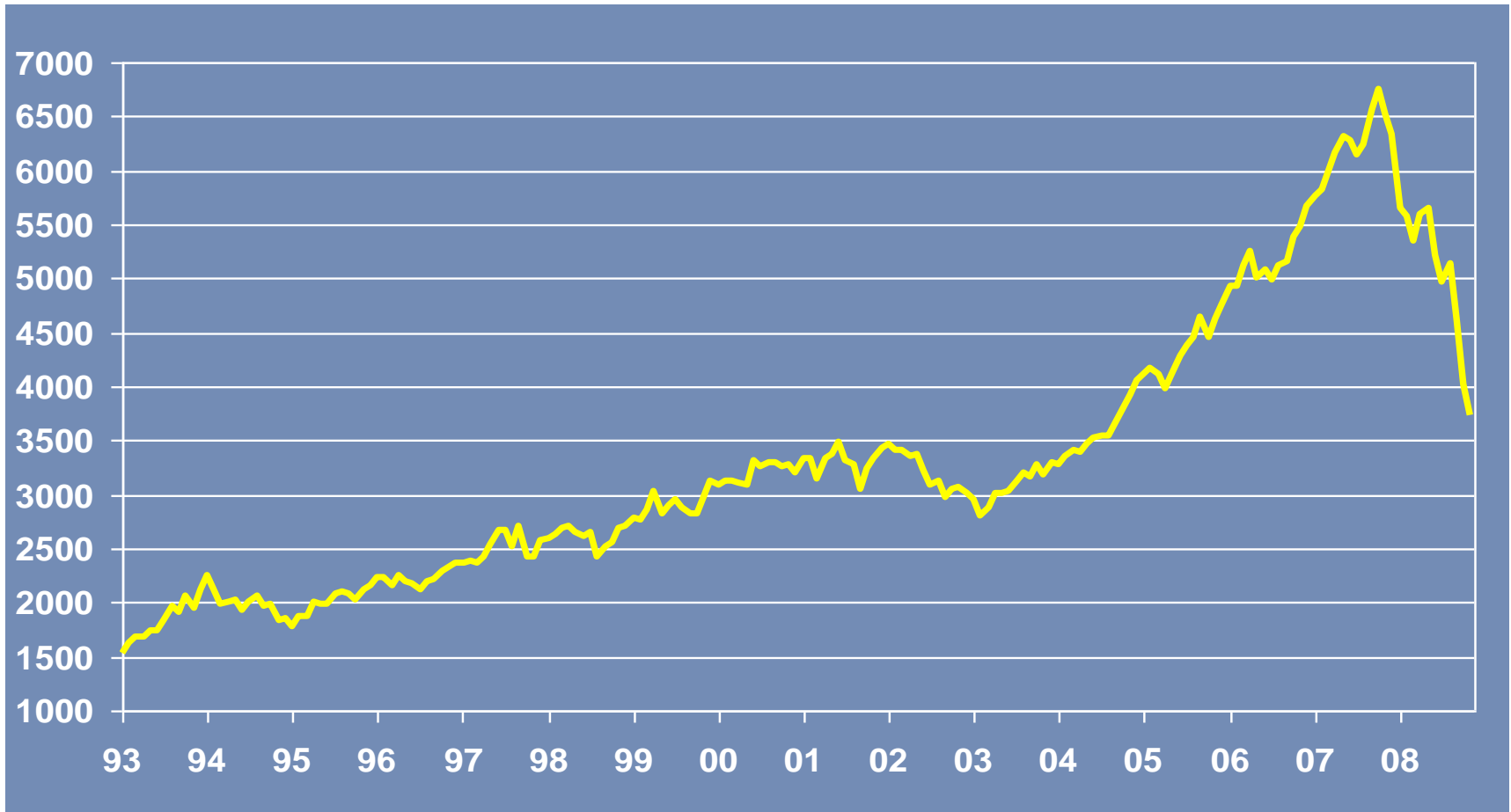
	Now (3 Dec)	End-Jun 2009	End-Dec 2009
AUD/USD	0.644	0.75	0.75
Official cash rate (%)	4.25	3.25	4.00
10 Year Bond yield (%)	4.40	4.70	5.00
ASX 200	3650	4500	5000

The Australian Dollar and US Trade Weighted Index



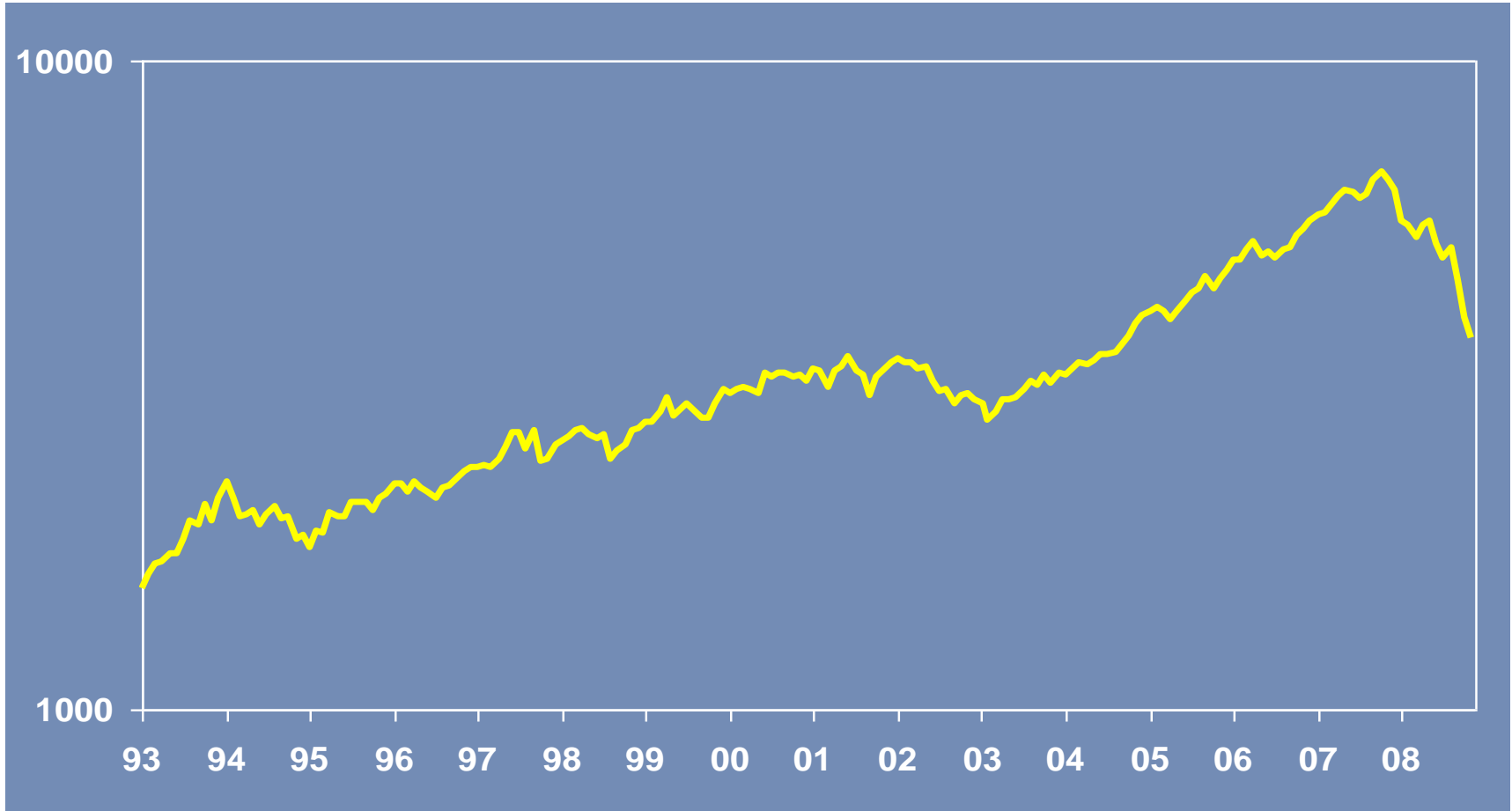
Source: Datastream

Australian Sharemarket Performance – ASX200



Source: Bloomberg

Australian Sharemarket Performance – ASX200 (log scale)



Source: Bloomberg

S&P 500 peaks and troughs - the market turns before the economy, and usually recovers strongly

S&P 500	Peaks		Troughs			% change in S&P 500		
	Economy	Lead (months)	S&P 500	Economy	Lead (months)	Previous 12 months	Peak to trough	Following 12 months
Dec 59	Apr 60	4	Oct 60	Feb 61	4	10.4	-9.0	26.6
May 69	Dec 69	7	Jun 70	Nov 70	5	6.9	-27.8	31.9
Oct 73	Nov 73	1	Dec 74	Mar 75	3	0.3	-38.9	32.3
Dec 79	Jan 80	1	Apr 80	Jul 80	3	12.1	-4.5	30.6
Apr 81	Jul 81	3	Jul 82	Nov 82	4	30.6	-18.6	52.6
Jun 90	Jul 90	1	Oct 90	Mar 91	5	11.3	-14.8	26.0
Aug 00	Mar 01	7	Feb 03	Nov 01	-15	11.9	-43.6	36.5
Oct 07	Dec 07	2	Nov 08?	-	-	12.9	-42?	-

Source: National Bureau of Economic research and the Wall Street Journal

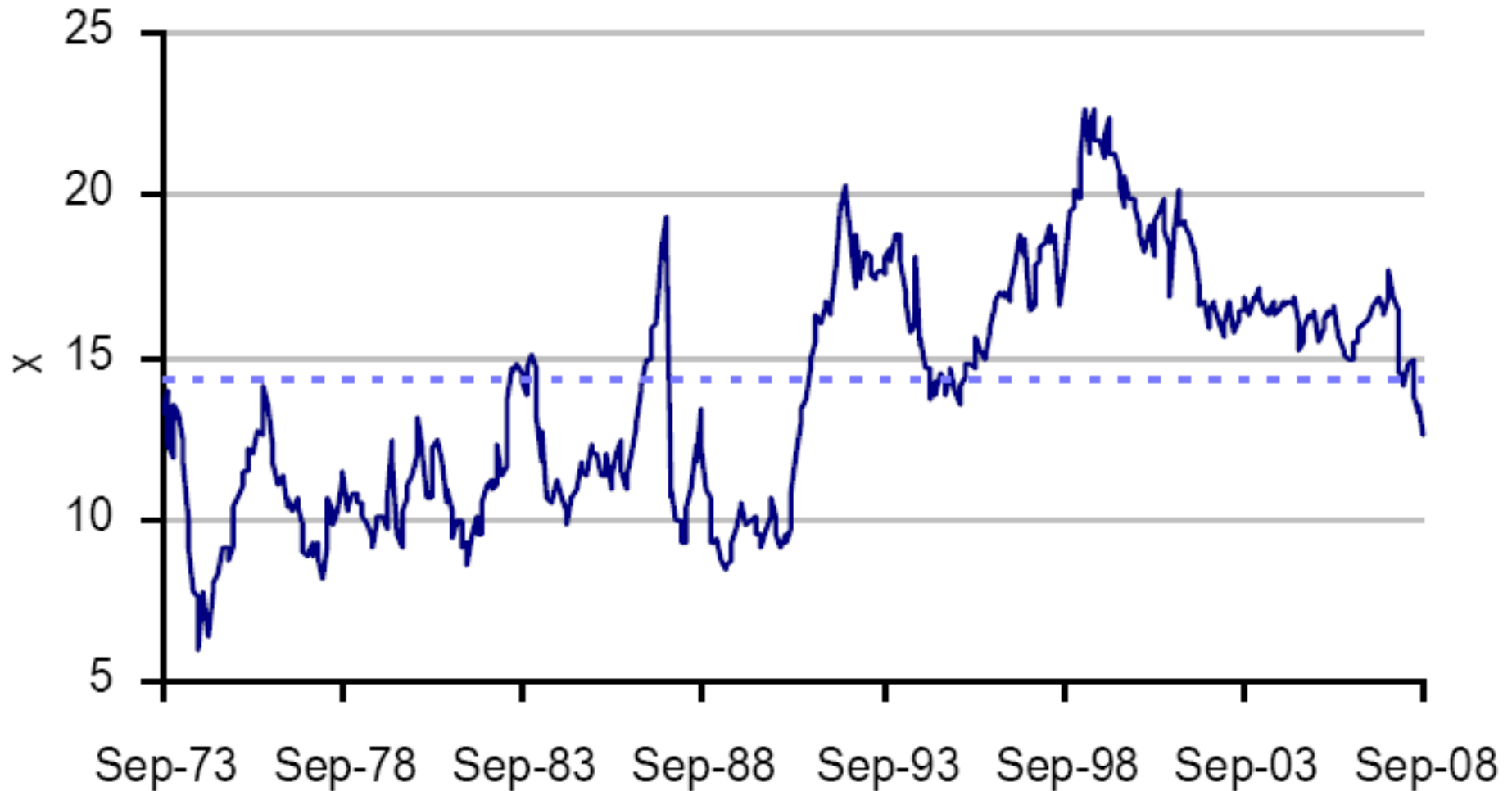
Note: S&P 500 data reflect monthly averages. The peaks and troughs for the economy are designated by the National Bureau of Economic Research Business Cycle Dating Committee

Global stocks are cheap right now



Source: Datastream and UBS

And the same is true in Australia (p/e ratio, trailing)



Global Medium-Term Economic Growth and Inflation Prospects (2008-2018)

	GDP	Consumer Prices
Australia	2.9	2.8
New Zealand	2.5	2.6
United States	2.5	2.3
Norway	2.4	2.6
Sweden	2.3	2.2
Canada	2.2	2.1
Spain	2.0	2.7
Netherlands	1.9	2.1
United Kingdom	1.8	2.5
France	1.8	2.0
Switzerland	1.8	2.4
Euro zone	1.7	2.1
Germany	1.4	1.9
Japan	1.3	1.1
Italy	1.1	2.2

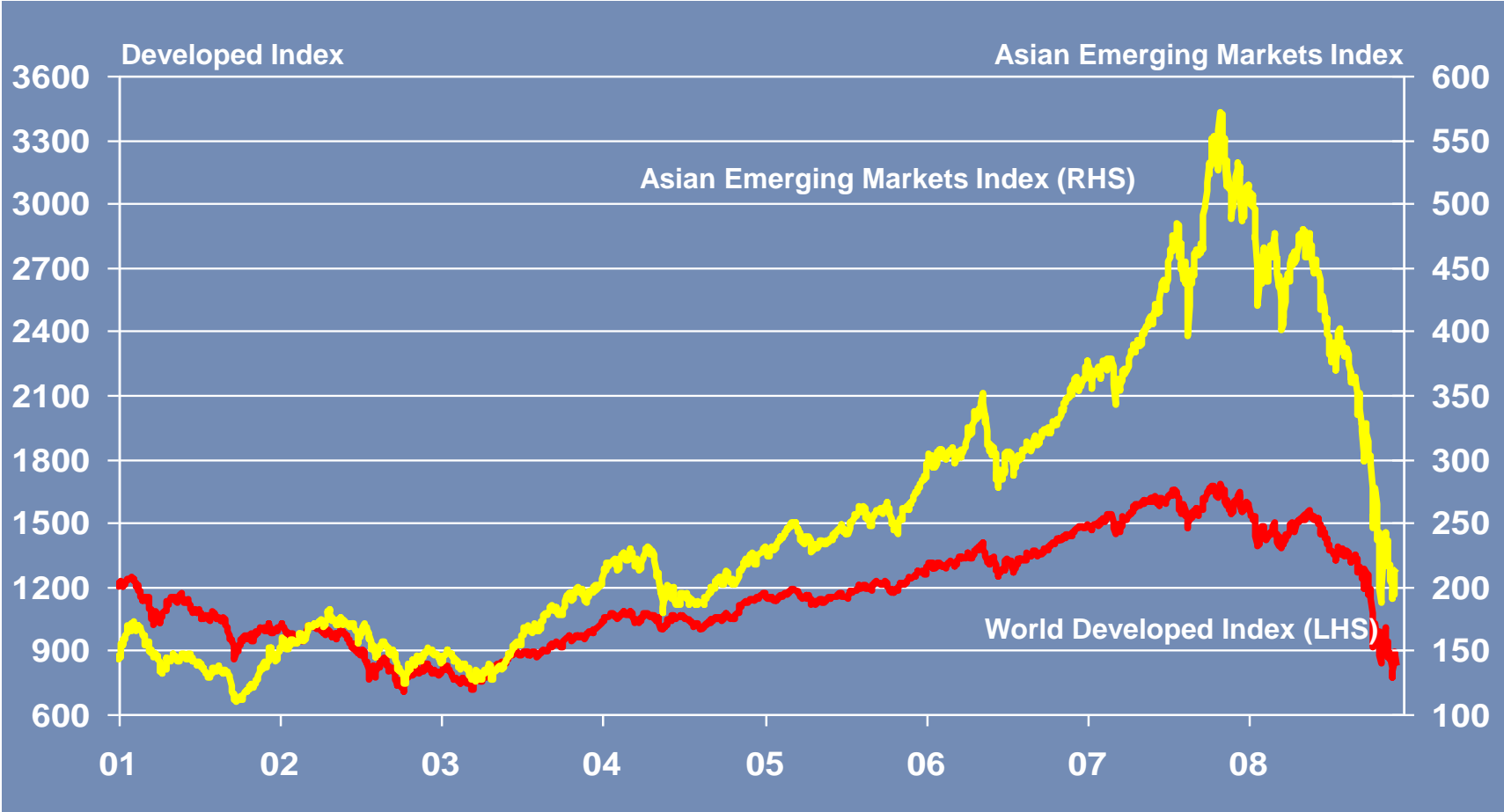
Source: Consensus Economics

Asia-Pacific Medium-Term Economic Growth and Inflation Prospects (2008-2018)

	GDP	Consumer Prices
China	8.5	3.7
India	7.5	5.2
Indonesia	5.8	6.0
Malaysia	5.3	3.0
Thailand	5.1	3.3
Singapore	4.8	2.5
Taiwan	4.4	2.1
South Korea	4.2	2.9
Hong Kong	4.1	3.2
Australia	2.9	2.8
New Zealand	2.5	2.6
Japan	1.3	1.1

Source: Consensus Economics

Morgan Stanley Capital Indexes



Source: Datastream

Summary

- A global recession began months ago. A deep recession in the US is (more than) fully priced in. The risk is that it drags on.
- Australian economy is slowing, although not drastically. The chance of recession has risen, however.
- Interest rates will continue to fall.
- The exchange rate is below fair value and likely to rise.
- Stocks are cheap right now.



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