



Market Update /

University of South Australia

24 April 2009

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Investments



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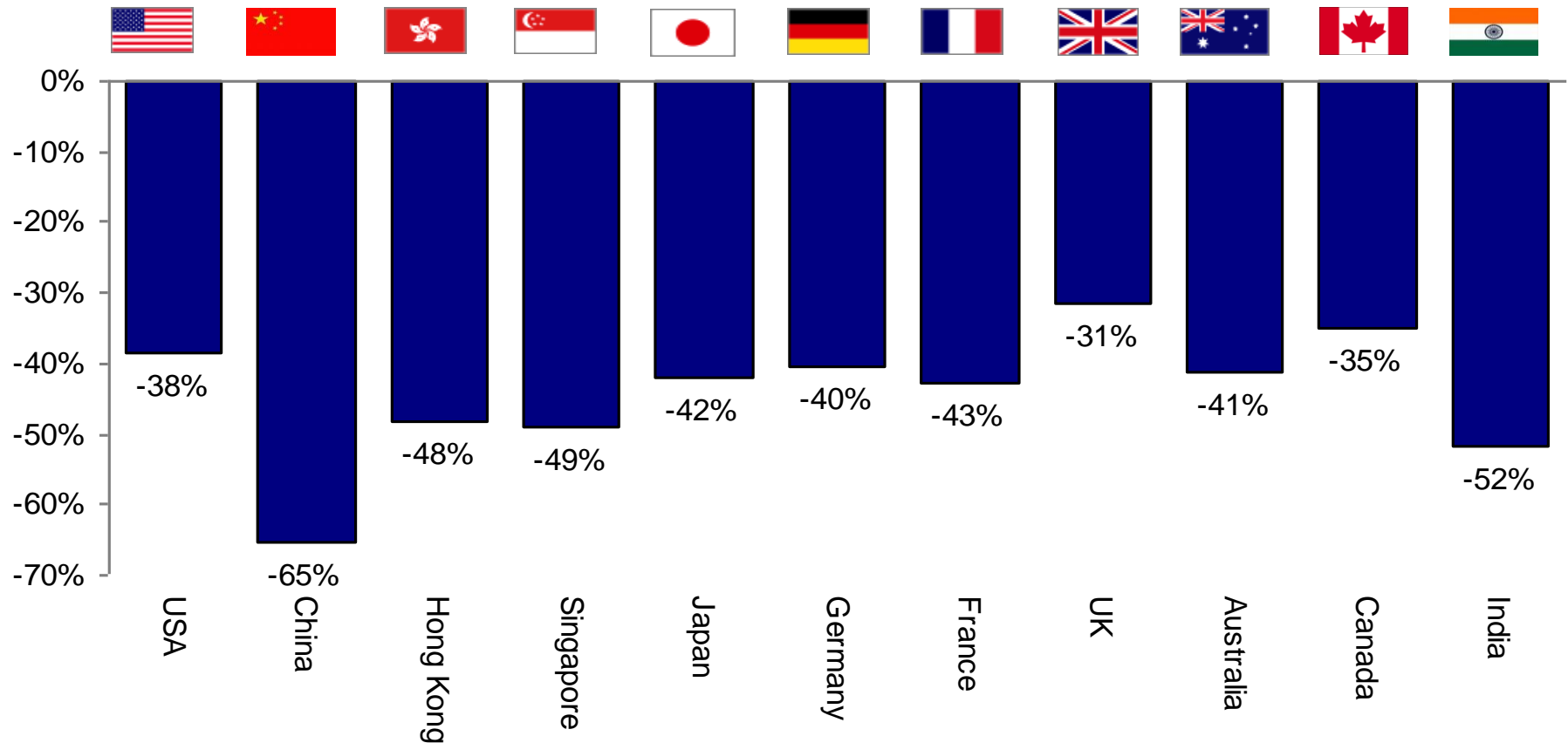
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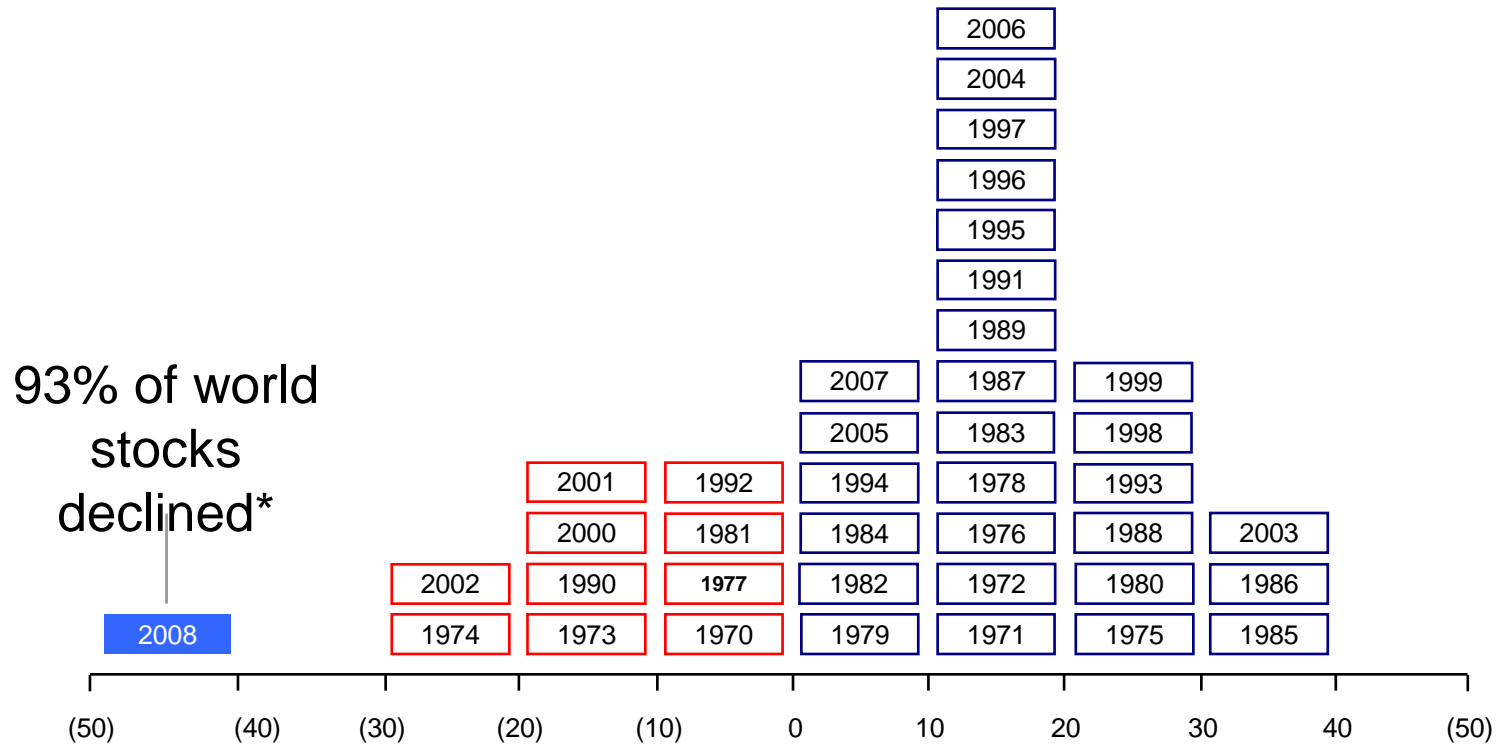
Global stock markets post huge falls in 2008



Indices: S&P 500; Shanghai Composite; Hang Seng; Straits Times; Nikkei 225; DAX; CAC 40; FTSE 100; S&P/ASX 200, S&P/TSX Composite; BSE Sensex 30
Source: AXA, Bloomberg, IRESS, Datastream
Data from 31 Dec. 2007 – 31 Dec. 2008



2008 fall historically extreme



Source: FactSet, MSCI and AllianceBernstein.
Calendar year change in MSCI World (%).

Returns are in US dollars. Data as at 31 December 2008

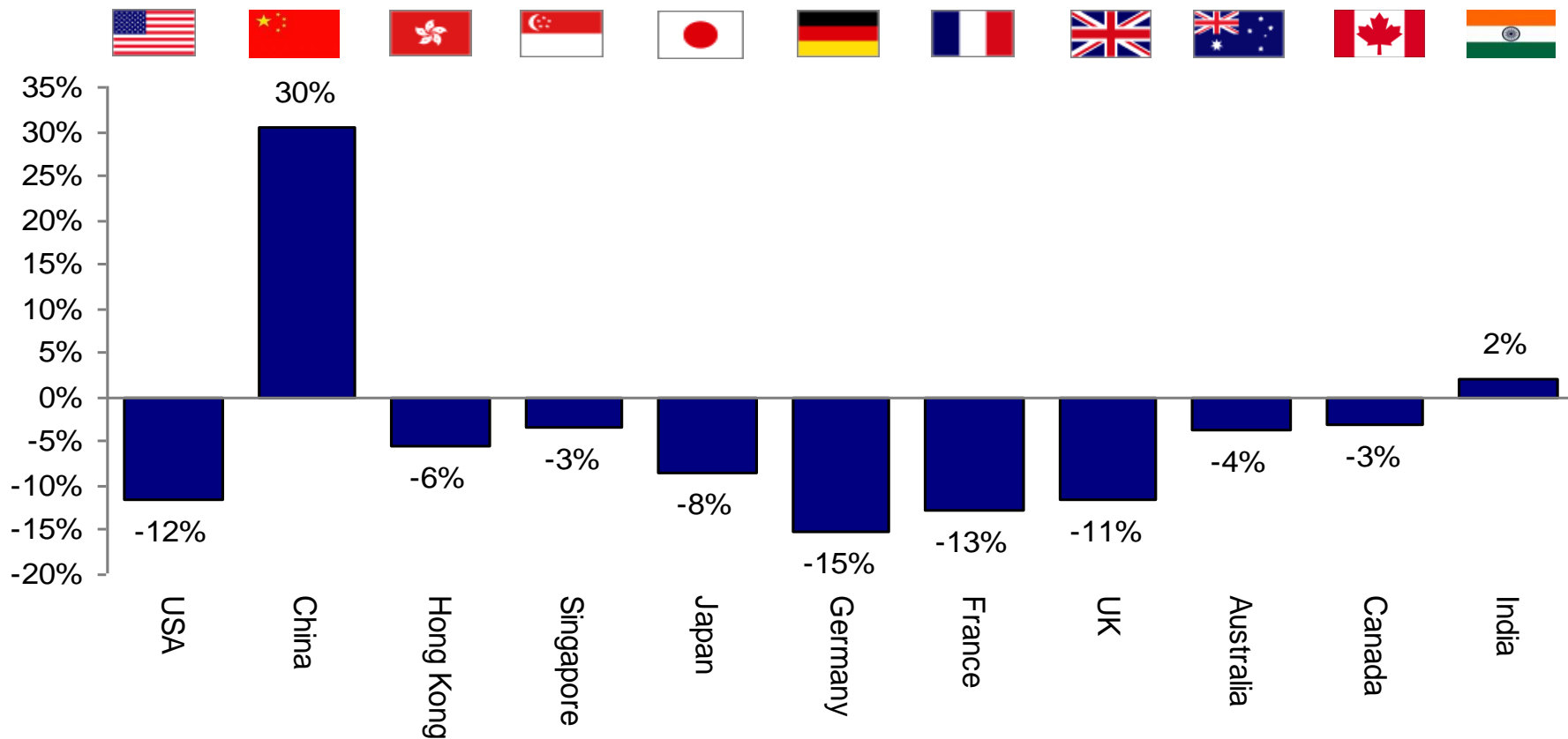
* Calculated for those companies in MSCI World Index on 1 January 2008 that remained on 31 December 2008.



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Continued volatility first quarter 2009

3 months to end March 2009



Indices: S&P 500; Shanghai Composite; Hang Seng; Straits Times; Nikkei 225; DAX; CAC 40; FTSE 100; S&P/ASX 200, S&P/TSX Composite; BSE Sensex 30
Source: AXA, Bloomberg, IRESS, Datastream
Data from 31 Dec. 2008 – 31 March 2009



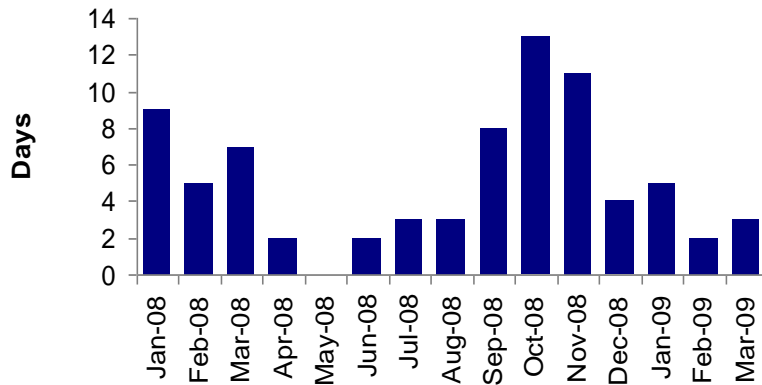
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Extreme share market volatility

Number of 'Big Move Days' – Market UP or DOWN more than 2%

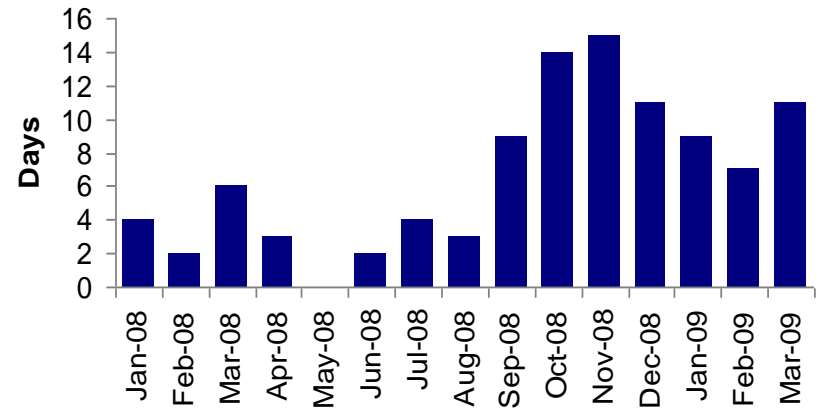
Long-term ave. 5 days p.a.

Australia



Long-term ave. 18 days p.a.

US



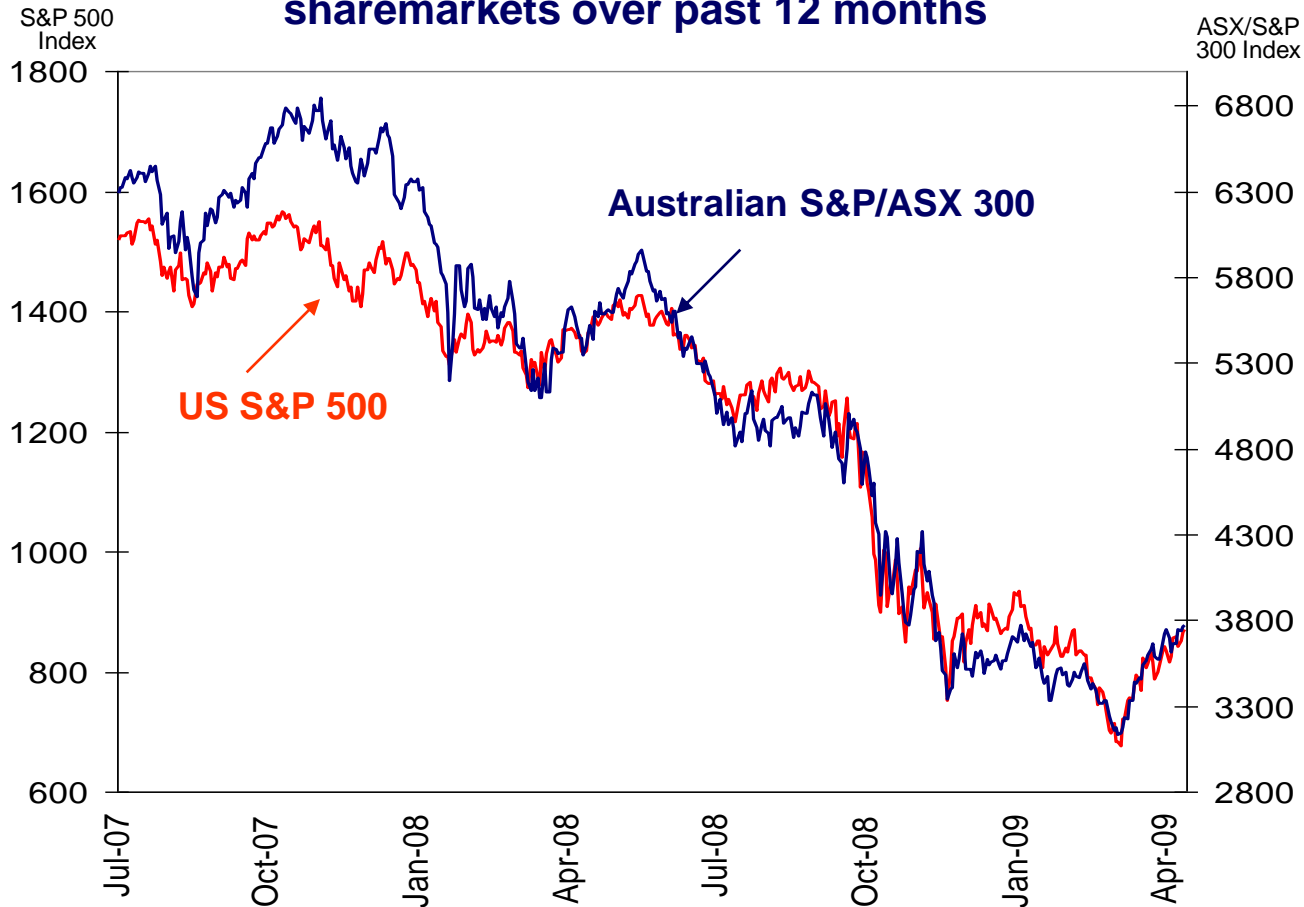
Source: Bloomberg, FactSet, MSCI, Standard and Poor's, Datastream and AllianceBernstein
US S&P 500, Australia S&P ASX 300 Accumulation Index Data as of 30 Mar 2009



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Domestic sharemarket mirroring the US

High correlation between US and Australian sharemarkets over past 12 months



Source: Bloomberg. Data as of 17 April 2009



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Why is the US recovery strategy focal?

US states renamed for countries with similar GDP



US: S&P 500's three month freefall



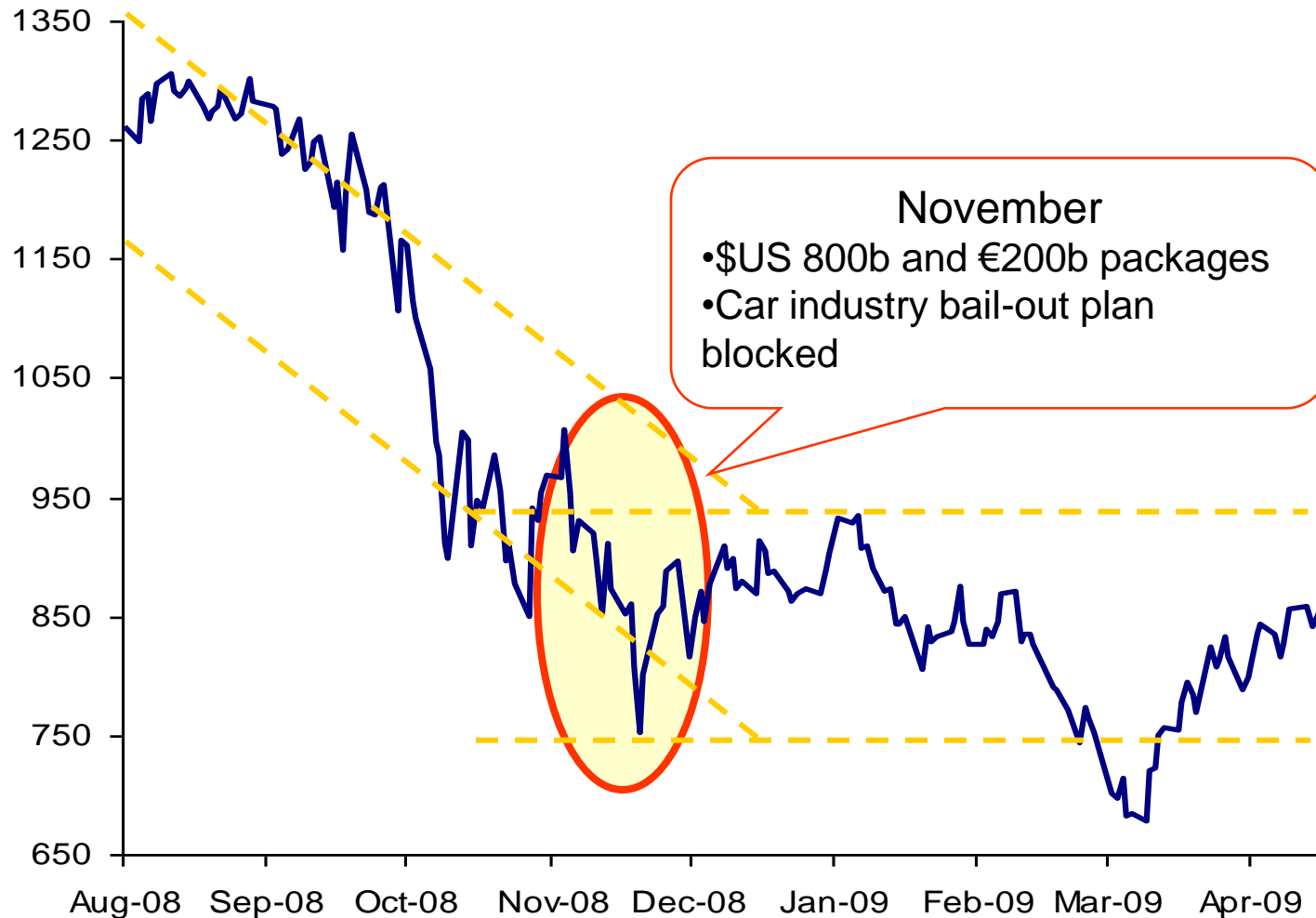
US: Unprecedented recovery initiatives



October

- US TARP rescue plan
- Coordinated rate cuts by central banks
- Deposit insurance
- Interbank lending govt. guaranteed

US: October actions resisted by markets

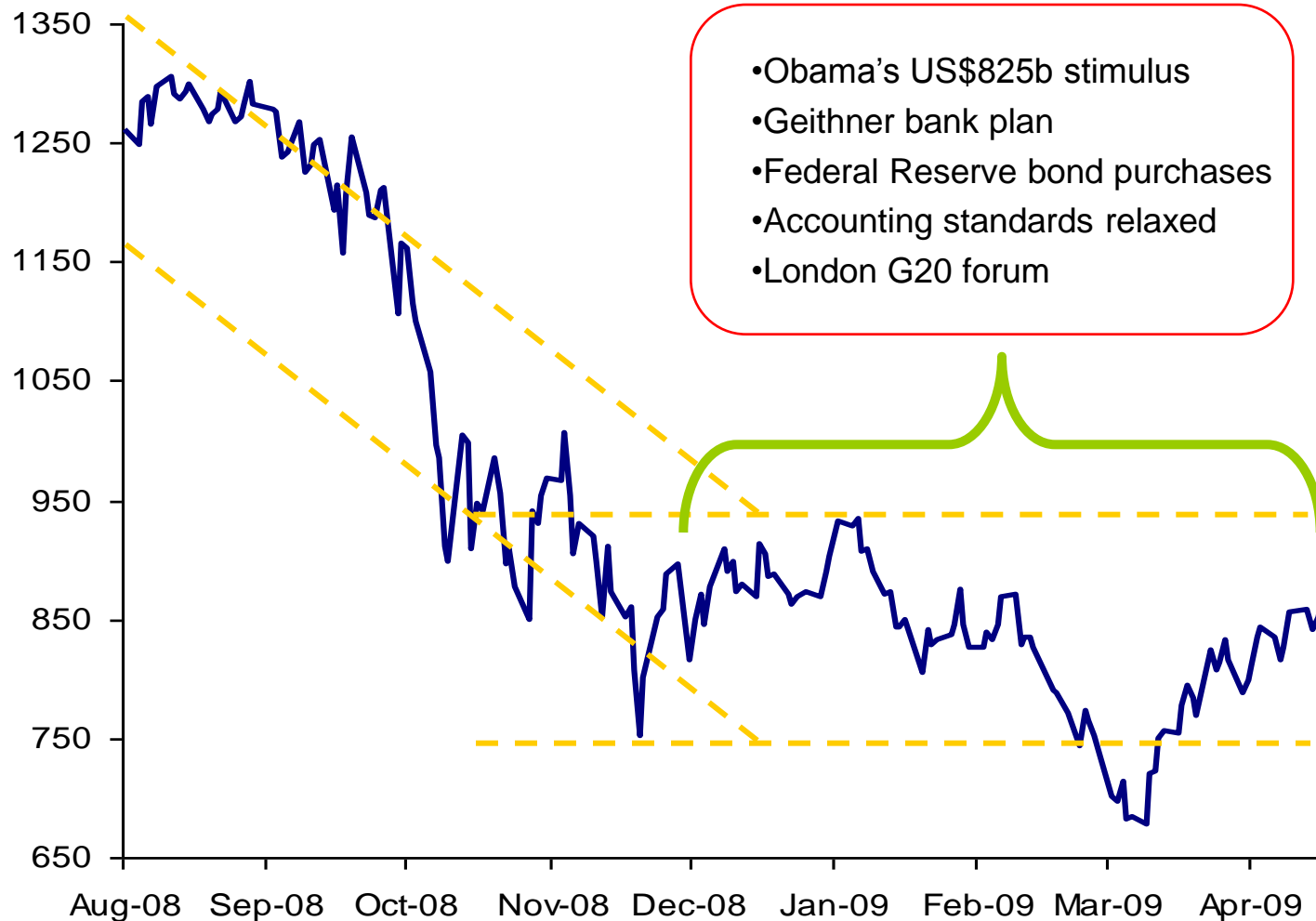


Source: Bloomberg. Data to 16 April 2009



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US: S&P 500 range trading since November?



Source: Bloomberg. Data to 16 April 2009

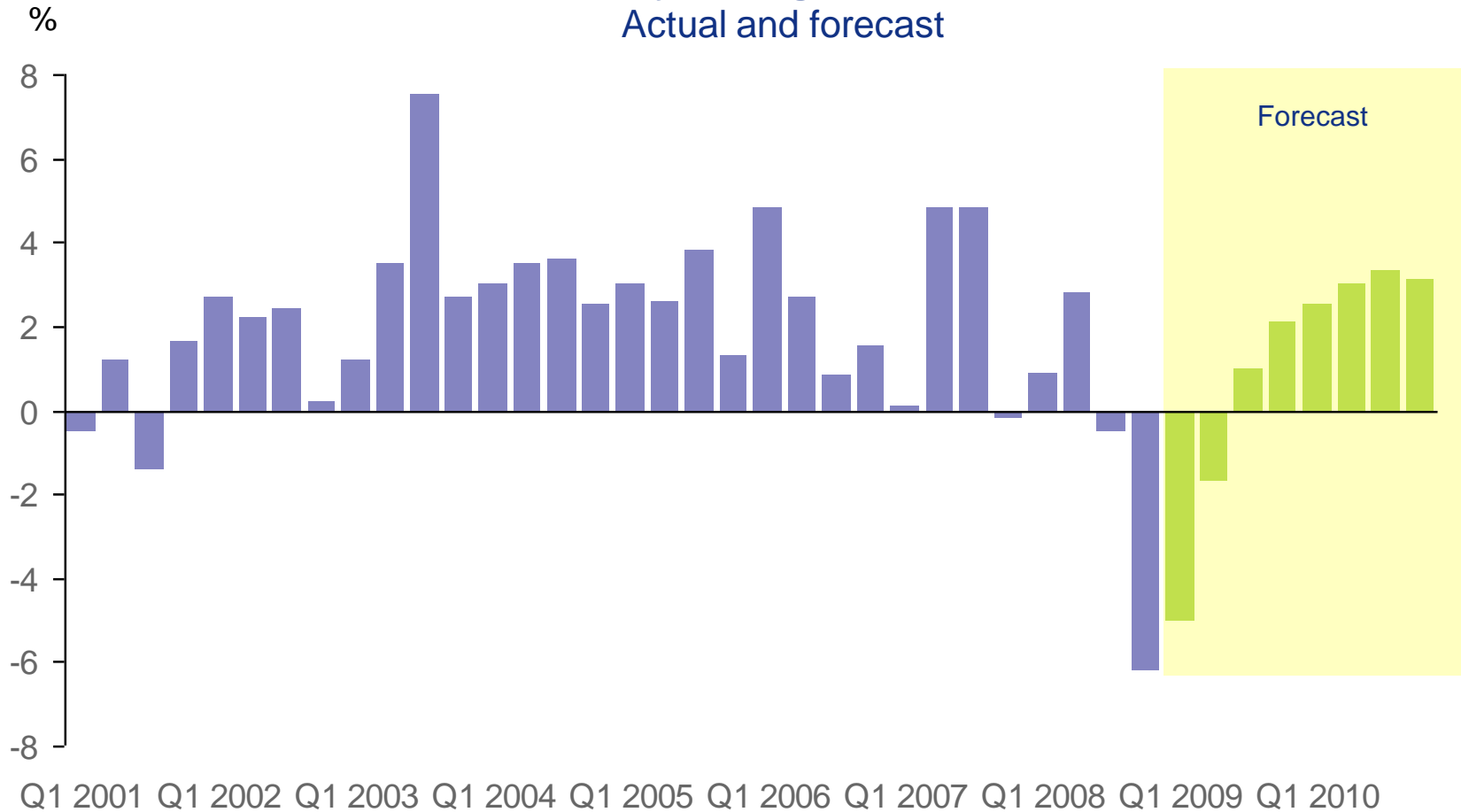


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US economic growth to recover H2 '09?



Quarterly change in real GDP Actual and forecast



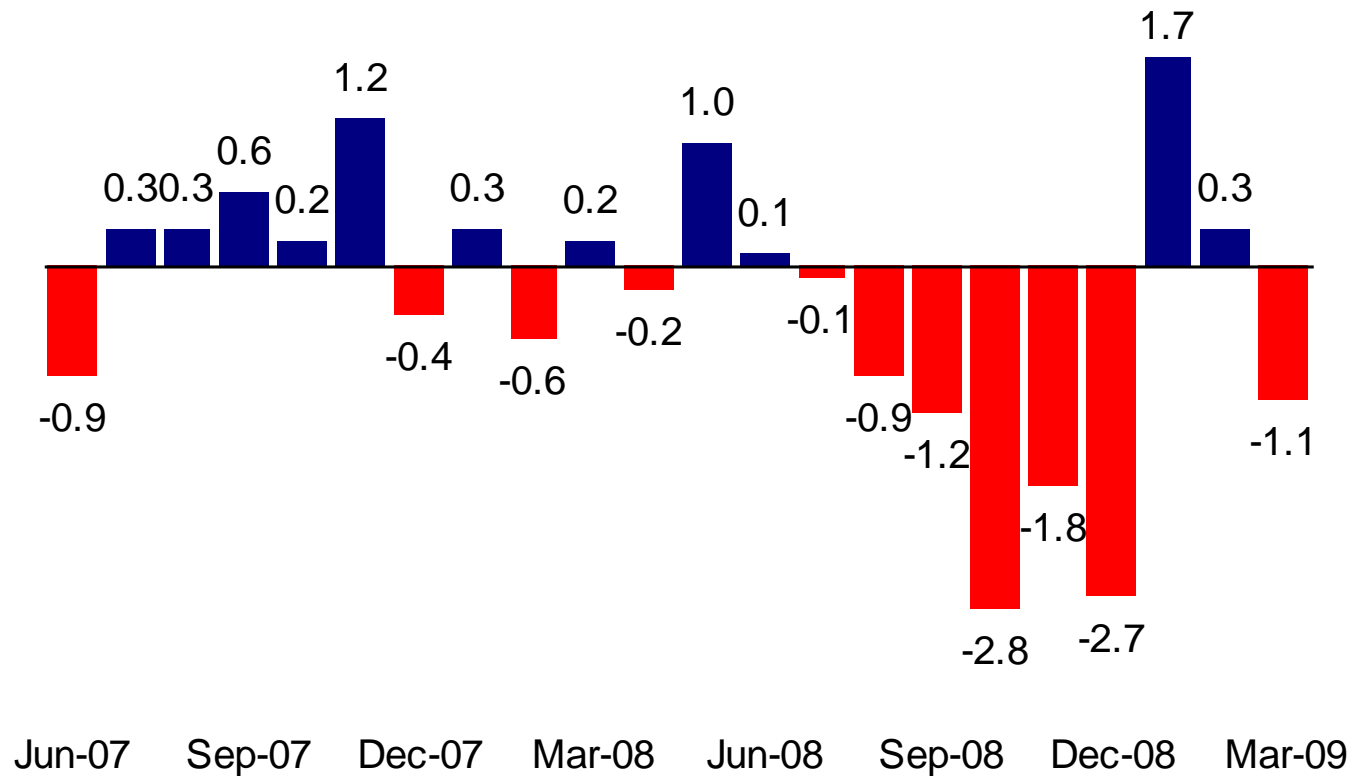
Sources: Bloomberg and National Association for Business Economics
Forecasts as at 23 February 2009



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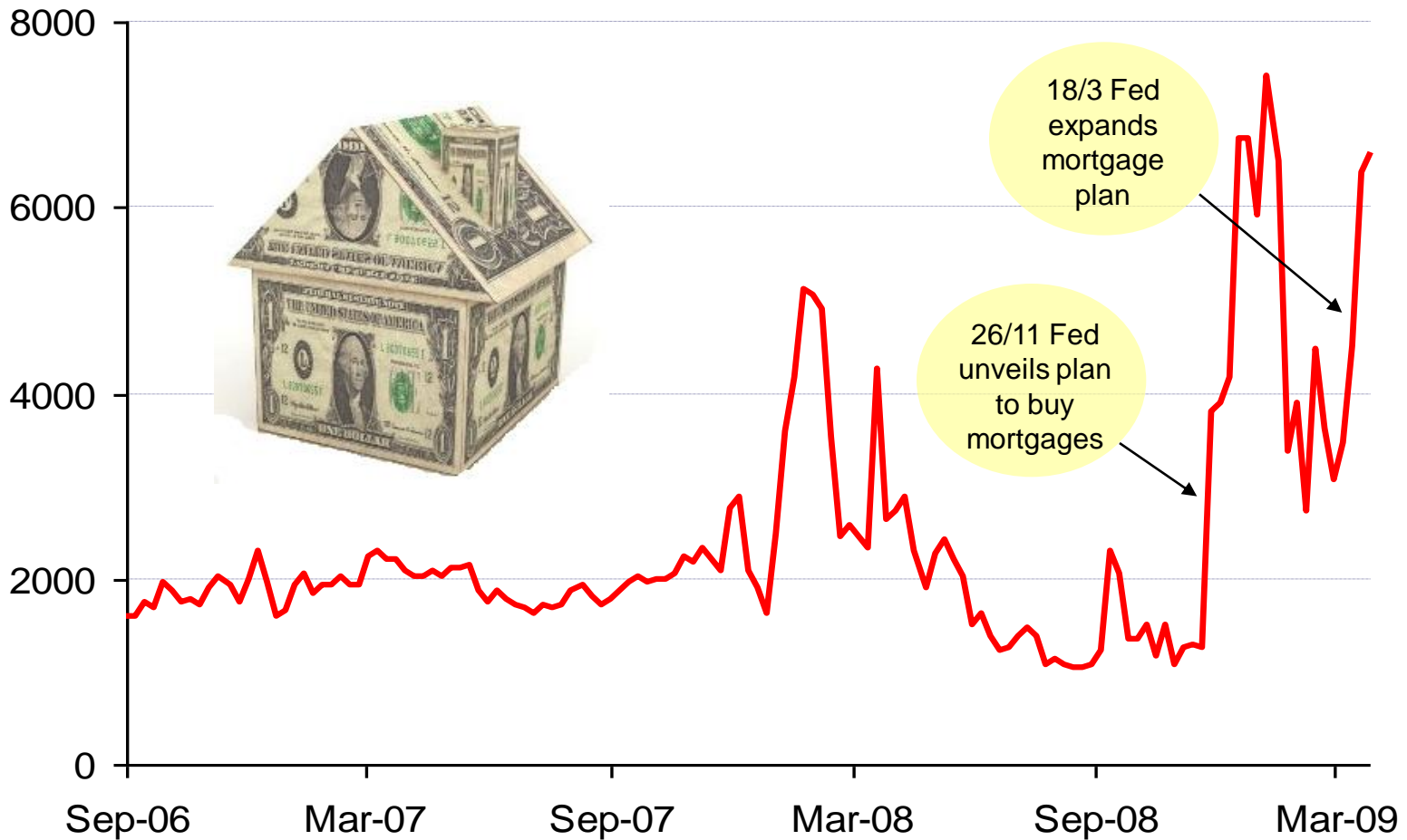
US: Consumer confidence key to outlook

% monthly change in US retail sales



US home owners respond as intended

US mortgage refinancing applications per week



Source: Bloomberg/US Mortgage Refinancing Index



China: /

1949: *Socialism will save China*

1979: *Capitalism will save China*

1989: *China will save Socialism*

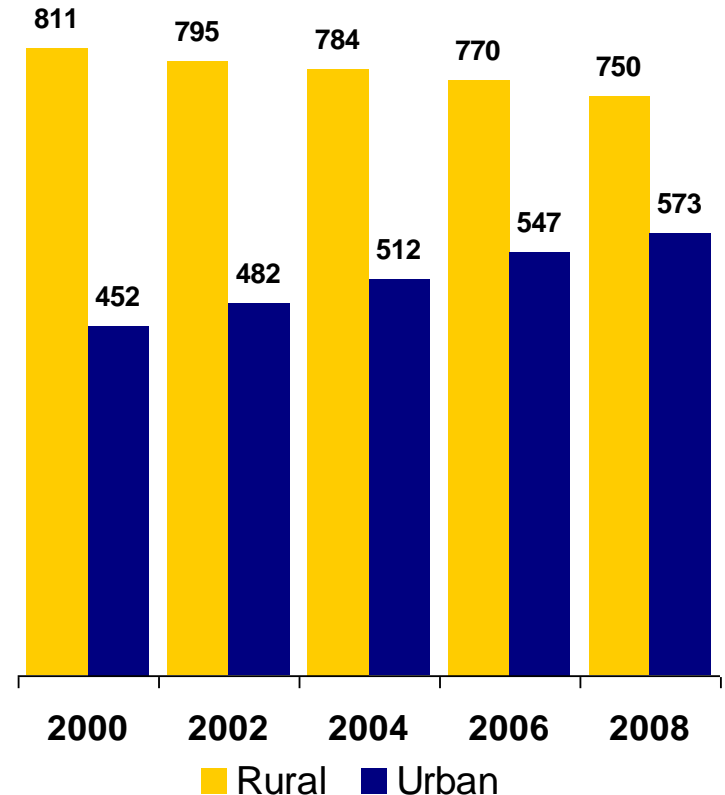
2009: *China will save Capitalism*



China's strength & resolve underestimated?

- ✓ Nov. '08: \$A870b stimulus = 16% GDP
- ✓ 6.1% GDP leads developed world
- ✓ Industrial production up 8.3%
- ✓ Retail sales up 14.7%
- ✓ Urban disposable income up 11.2%
- ✓ Past 3 months: Revival in lending growth, infrastructure input imports, car sales & real estate transactions.
- ✓ OECD forecasts 6.6% growth for 2009

Chinese population millions

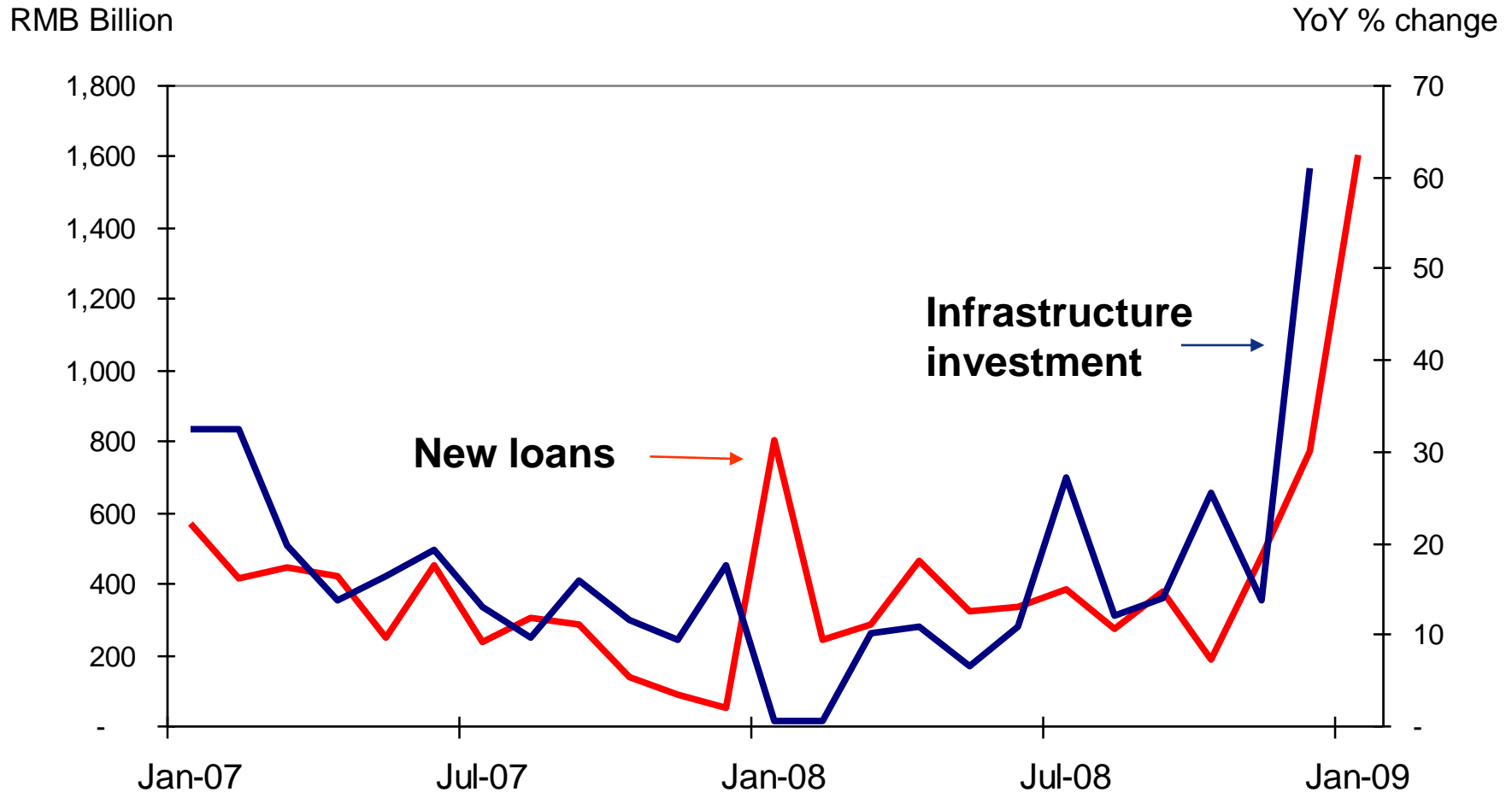


All data points year-on-year data end-March 2009



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China: Commercial loans & infrastructure spend surge following stimulus



Source: CEIC Data and AllianceBernstein

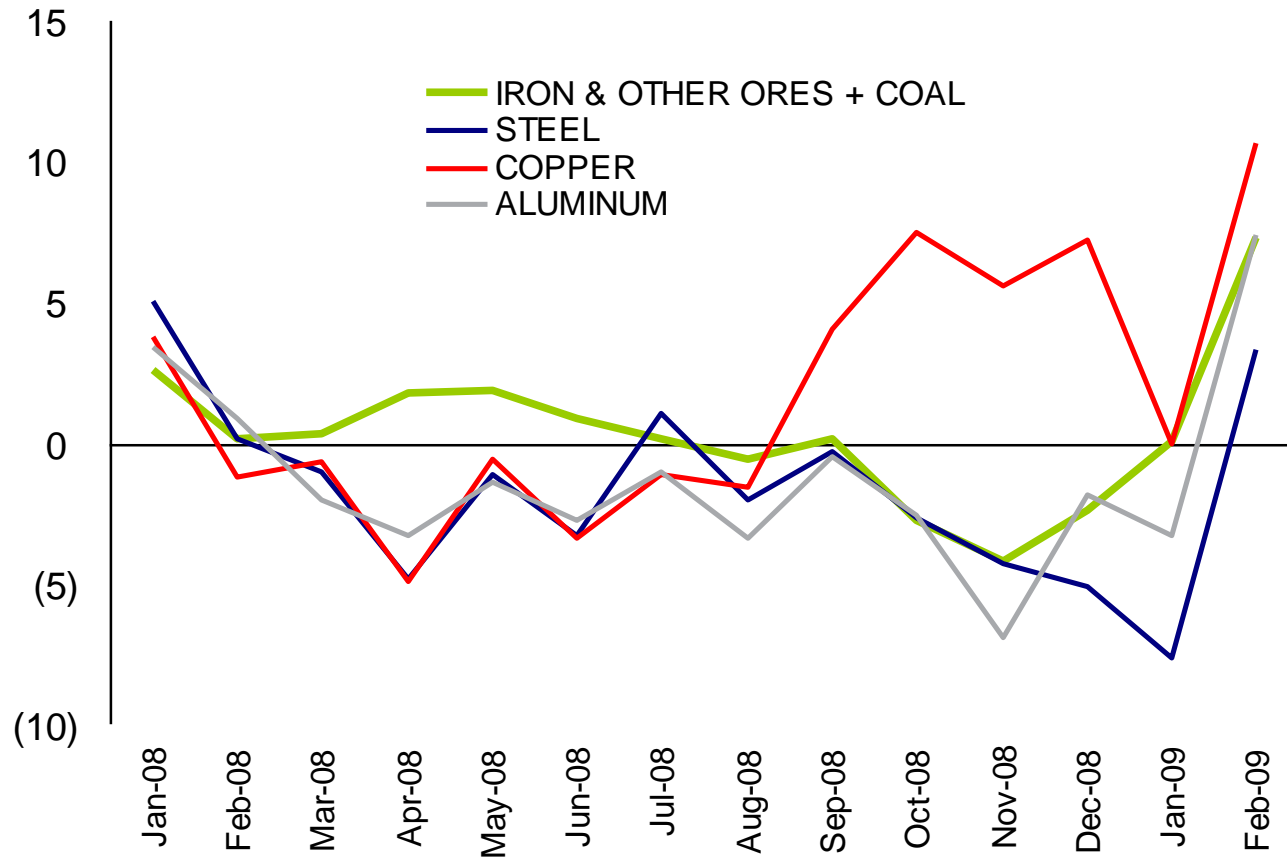


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China's commodity imports follow suit

China's import volume by product

MoM % change*



*3 month moving average
Source: CEIC data & AllianceBernstein

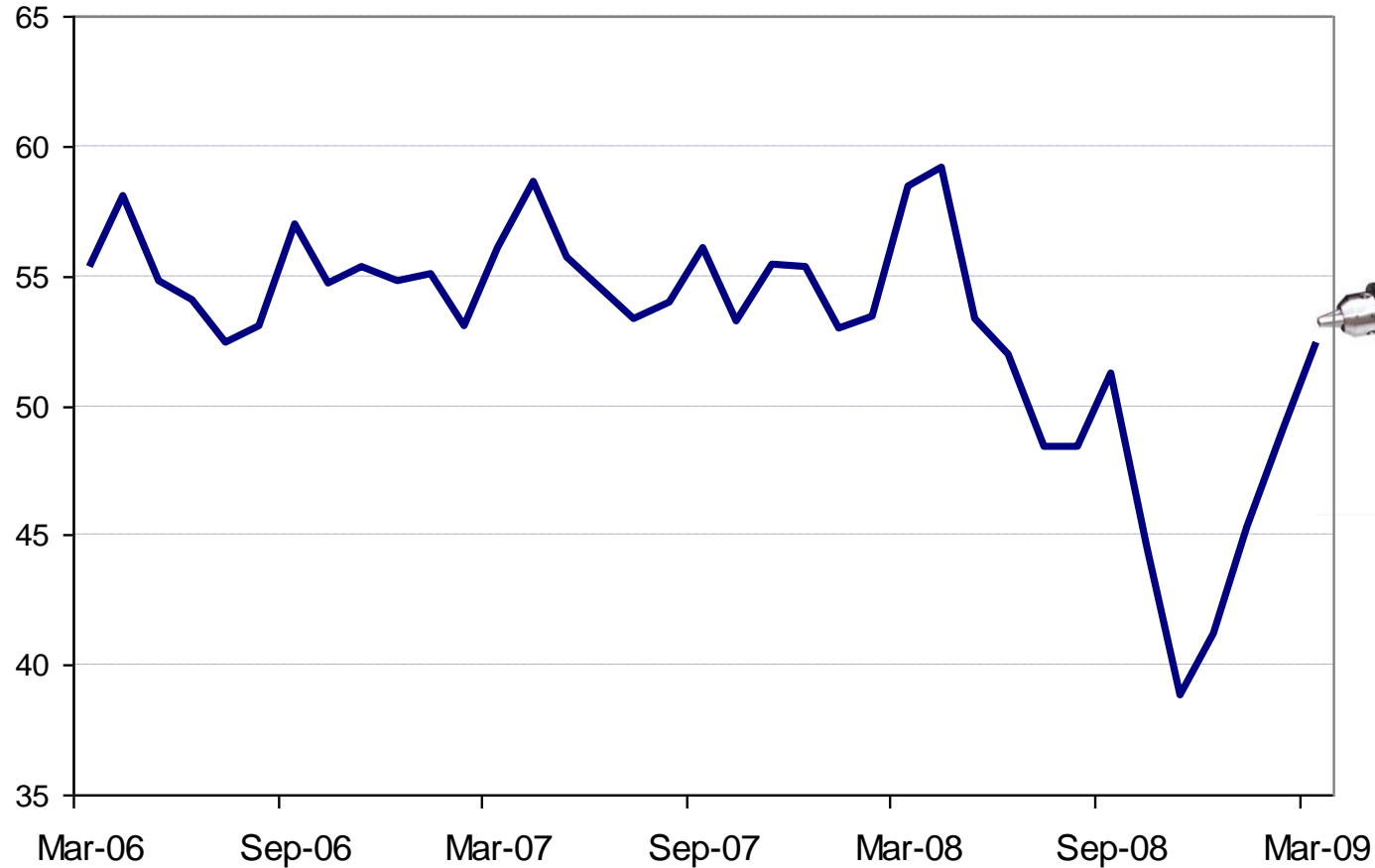


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China factory orders edge back into growth

Purchasing Managers Index

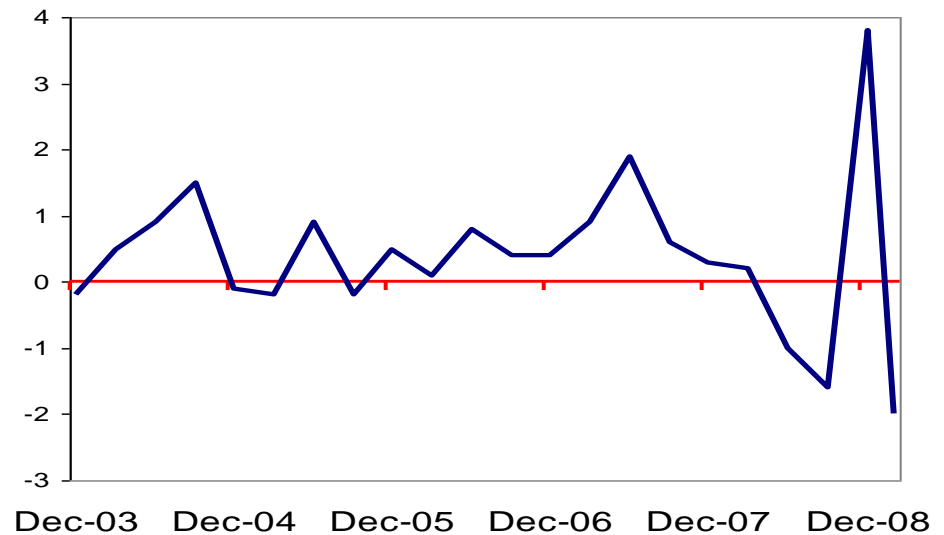
Index level



Australia tips into recession

- \$10.4b stimulus Dec. '08 effective
- Massive inventory reduction late Q4 2008 drove fall in GDP
- 2009 GDP growth forecast 0.2%
- Further rate cuts only modest
- Unemployment mid-2010 8.5%?
- \$42b stimulus package yet to take full effect
- Additional stimulus strongly tipped for 12 May budget

% change in retail sales growth



Australian share market range trading since November?

S&P/ASX 300 Index



Source: Bloomberg. Data to 16 April 2009



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\$42 billion Australian stimulus



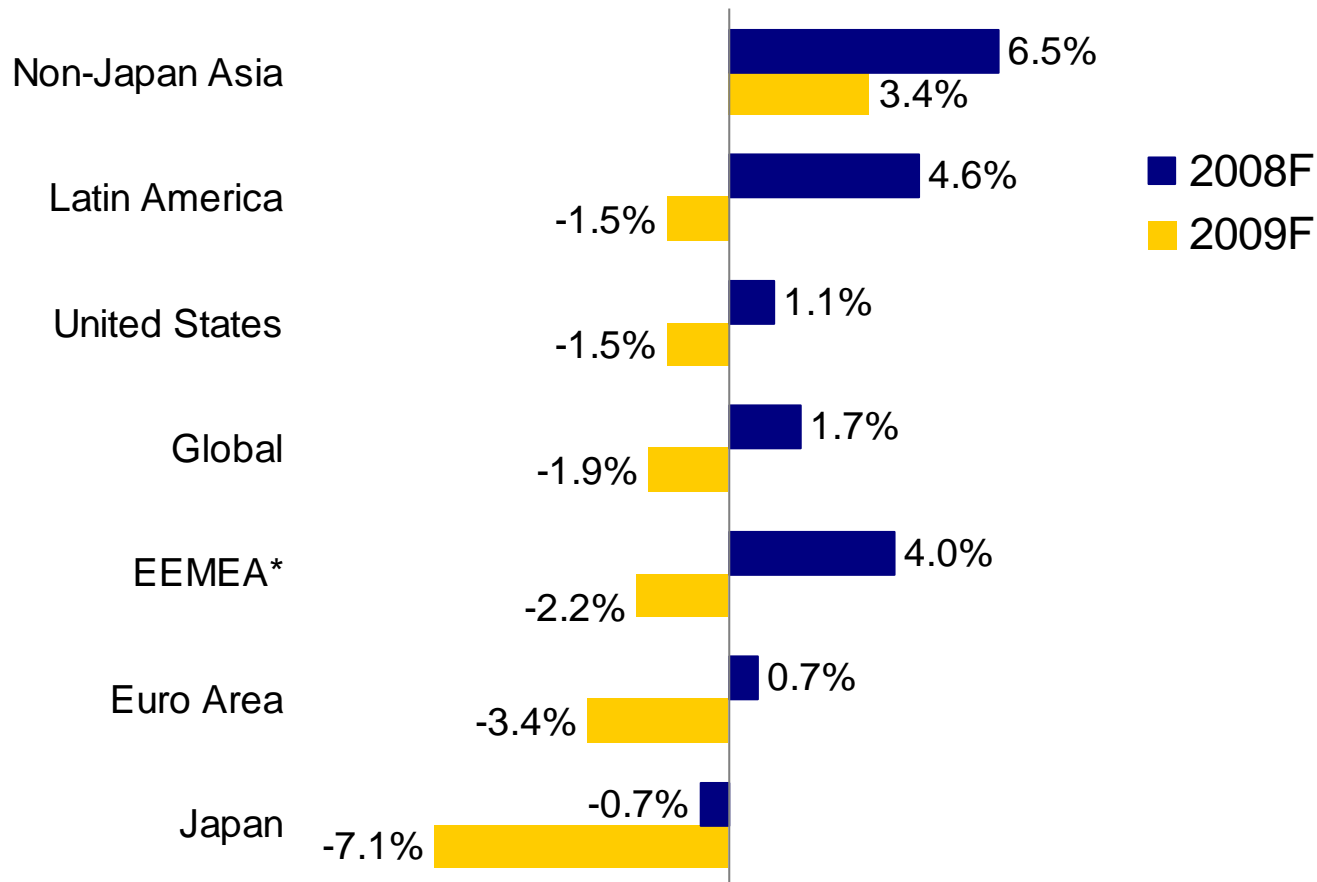
- \$14.7b school infrastructure & maintenance
- \$8.2b tax bonus <\$100K
- \$6.6b community & defence housing
- \$2.7b small business tax break
- \$2.6b children back to school package
- \$1.4b single income families
- \$0.89b community infrastructure & road improvements
- \$511m student/unemployed training
- \$20.4m farmers in hardship
- Free ceiling insulation & solar hot water rebates



Forecast global GDP growth

Economic growth estimate

Average annual rate



Data as of 8 April 2009

*Eastern Europe, Middle East and Africa

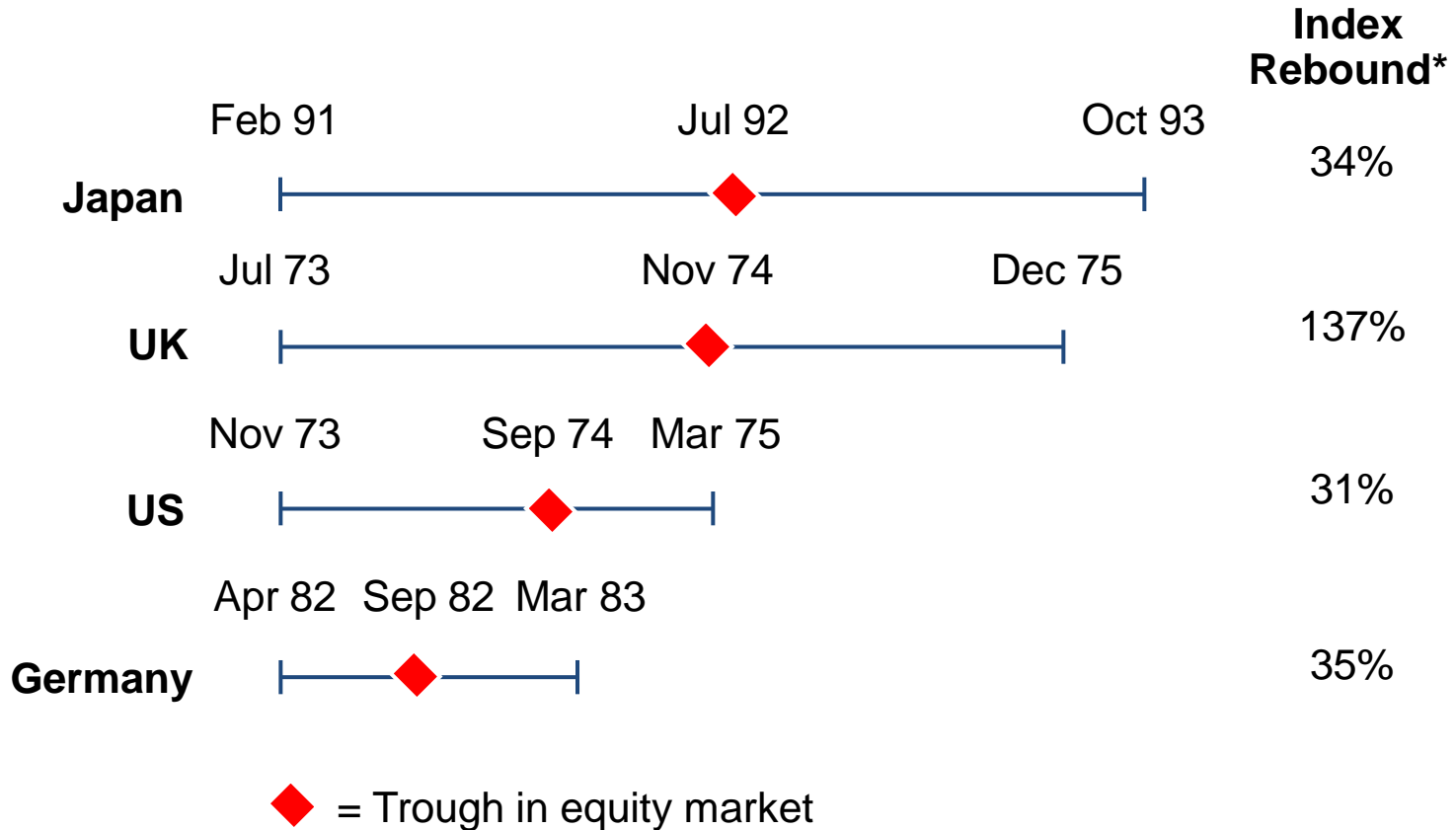
Source: AllianceBernstein



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Markets tend to move early

Recession timelines



*Rebound from equity market trough through end of recession. UK is represented by the FTSE All Share; Germany by MSCI Germany; Japan by TOPIX; US by S&P 500
 Source: FTSE, MSCI, S&P, Tokyo Stock Exchange and Bernstein



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Summary

■ **What are the fundamental prospects for 2009?**

There are real challenges facing the global economy and corporate earnings

■ **Will the unprecedented responses be enough?**

Powerful forces with coordinated government and central bank actions will help markets return to normal in due course

■ **How soon will markets recover?**

History indicates deep declines are followed by strong recoveries—often sooner than you think



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