



Global Economic and Investment Perspectives

‘Rapid fire – the global village gets a taste of four seasons in one day’

Richard Gibbs
Global Head of Economics
November 2009

In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. Please see disclaimer.

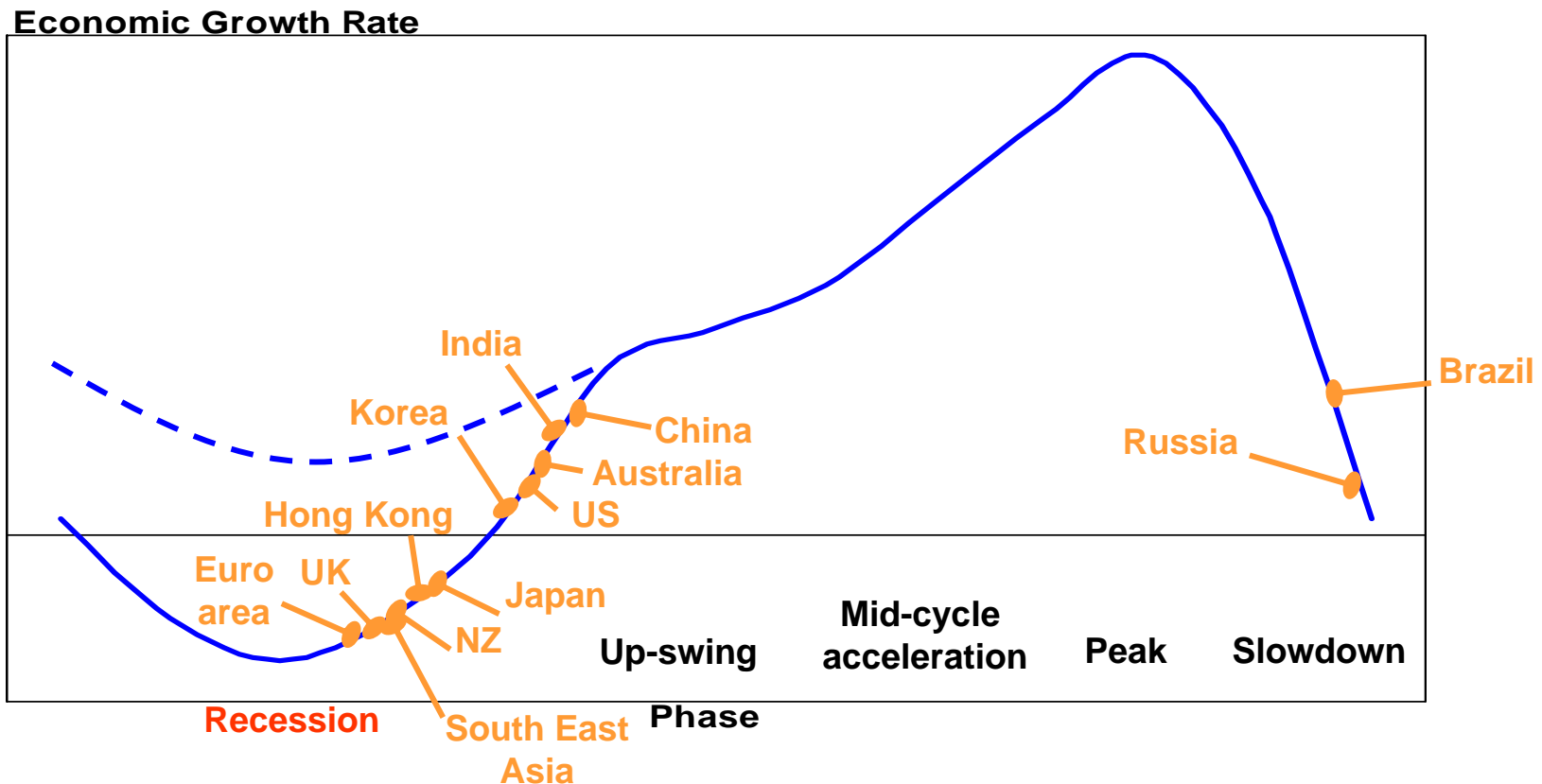


Expect changeable economic conditions in 2009/10

- After the sharp deterioration over 2008, credit spreads are now approaching the lows seen during the boom years, and money market rates are at record lows
- Recapitalisation of the financial and corporate sectors is progressing
- Coincident indicators of economic activity have turned upwards whilst leading indicators are still rising
- Base demand for commodity and energy inputs is resilient in key emerging economies
- Consumer and business sentiment is improving globally
- Global policy makers are committed to retaining expansionary monetary and fiscal policies, although currency fluctuations are complicating the task



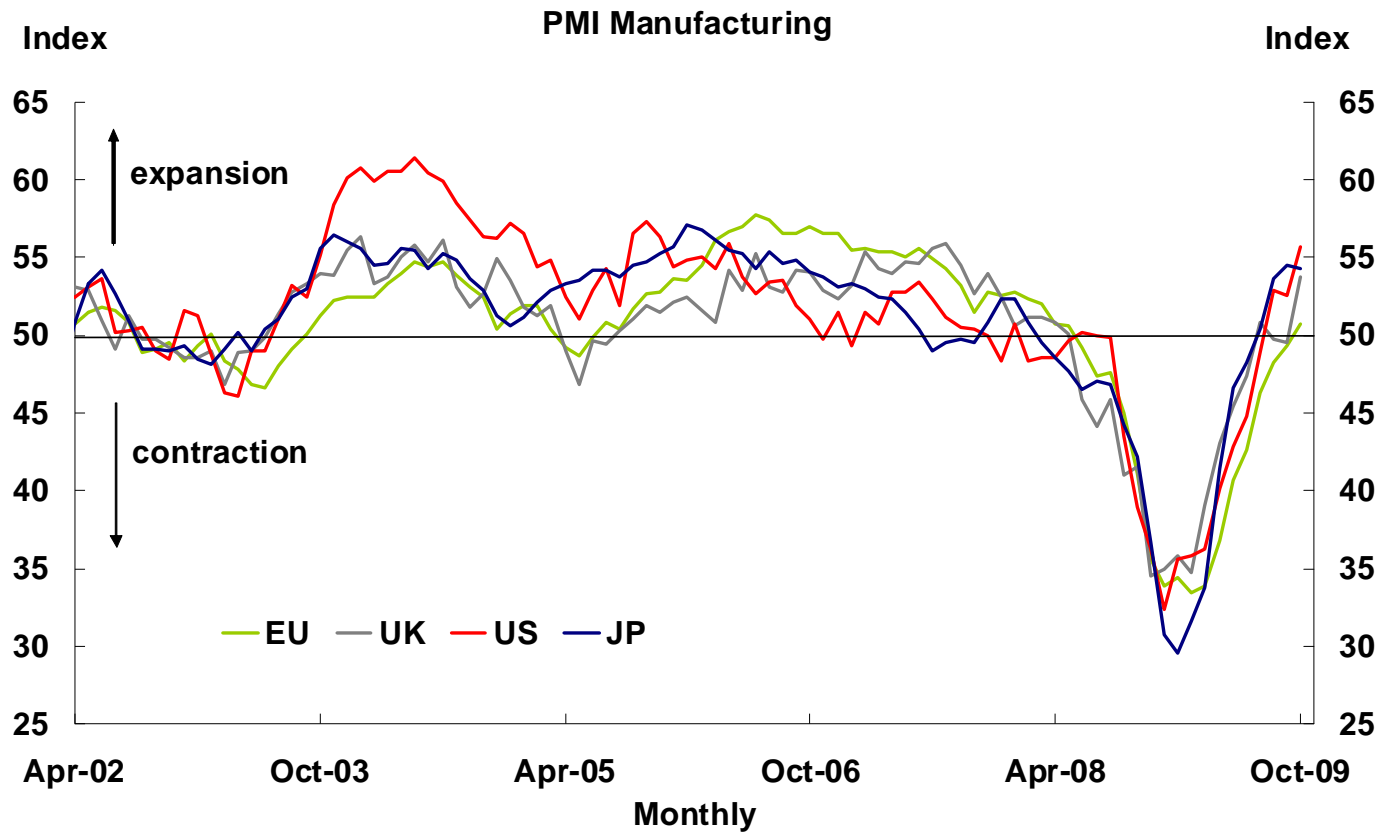
Rapid feedback loops are now defining the global business cycle



Source: Macquarie Research, November 2009



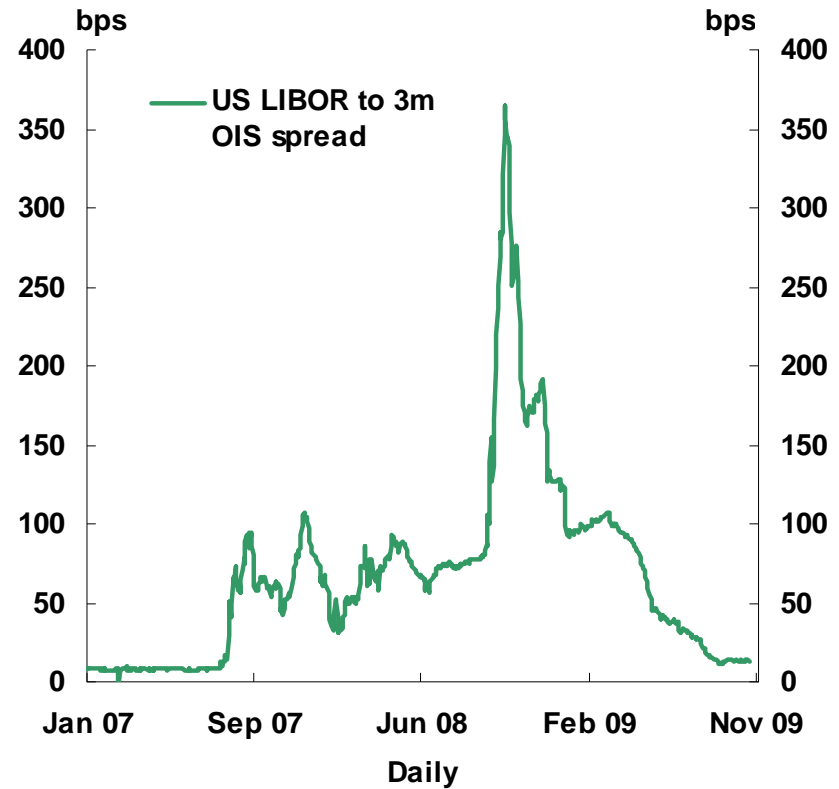
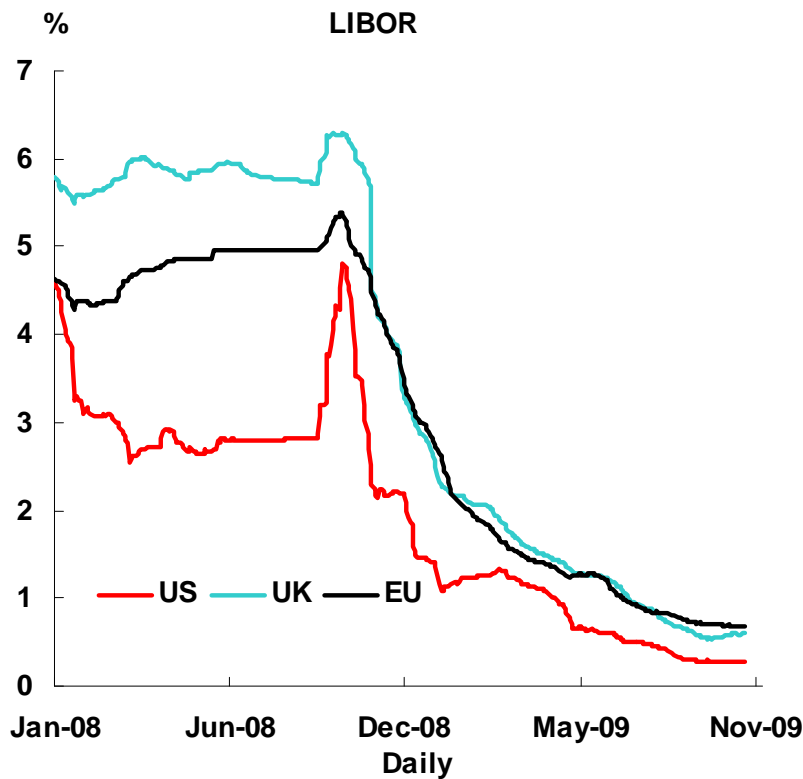
Industry surveys point to an impending global recovery



Source: Reuters, Macquarie Research, November 2009



Extraordinary policy measures have eased tensions in credit markets

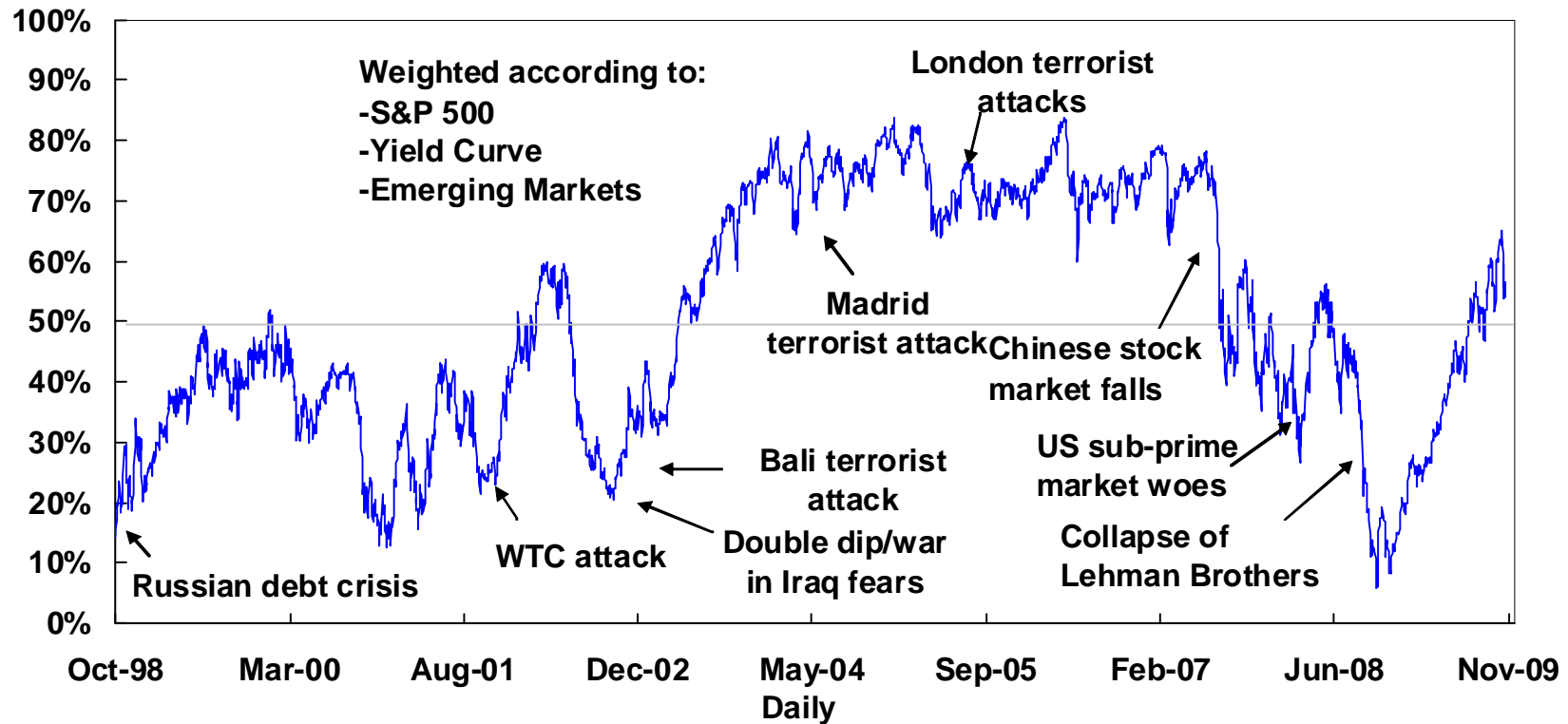


Source: Datastream, Reuters, Macquarie Research, November 2009



Global risk appetite has returned with a vengeance...

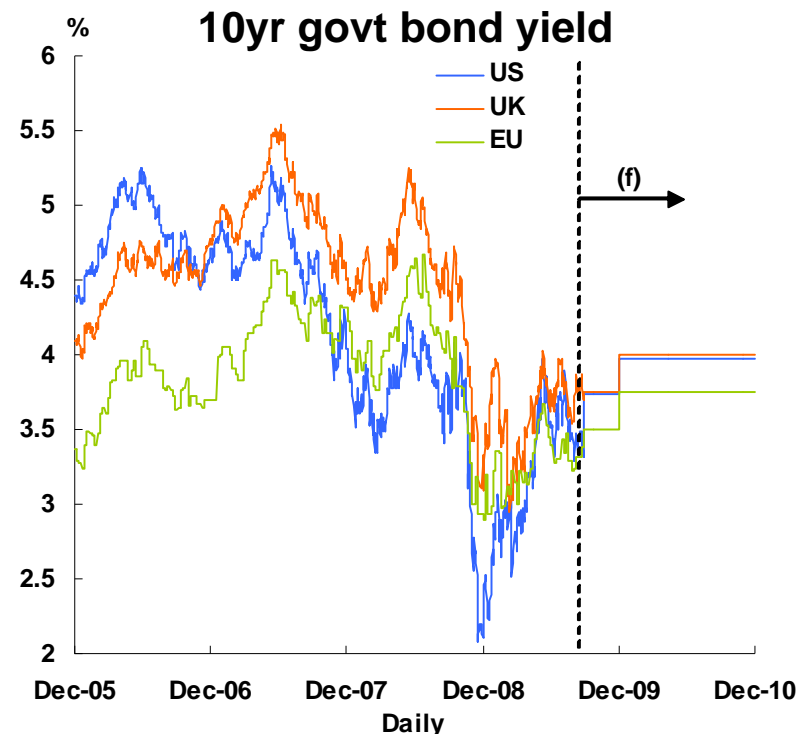
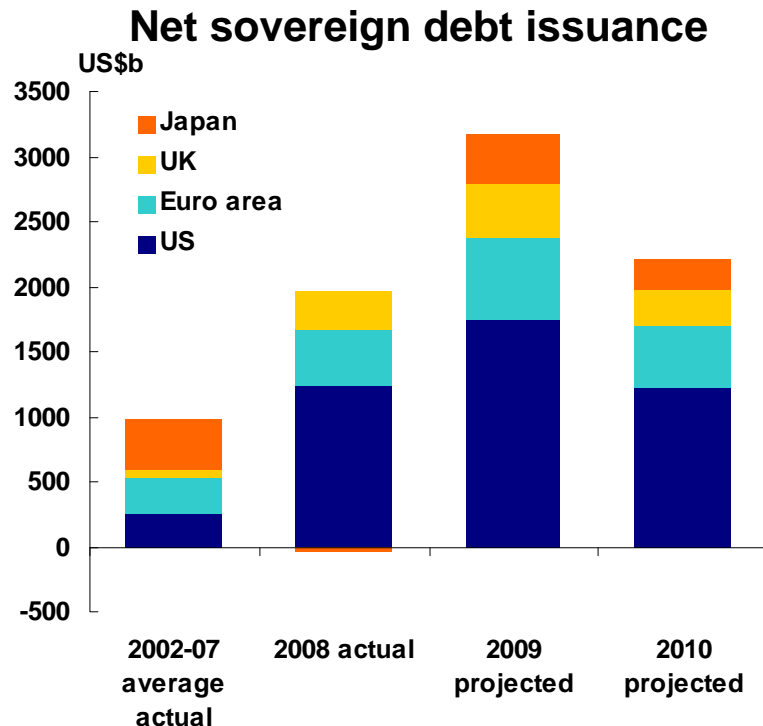
0% is lowest and 100% is highest risk-appetite



Source: Datastream, Macquarie Research, November 2009



...but sovereign risk will exert an influence on the cost of capital

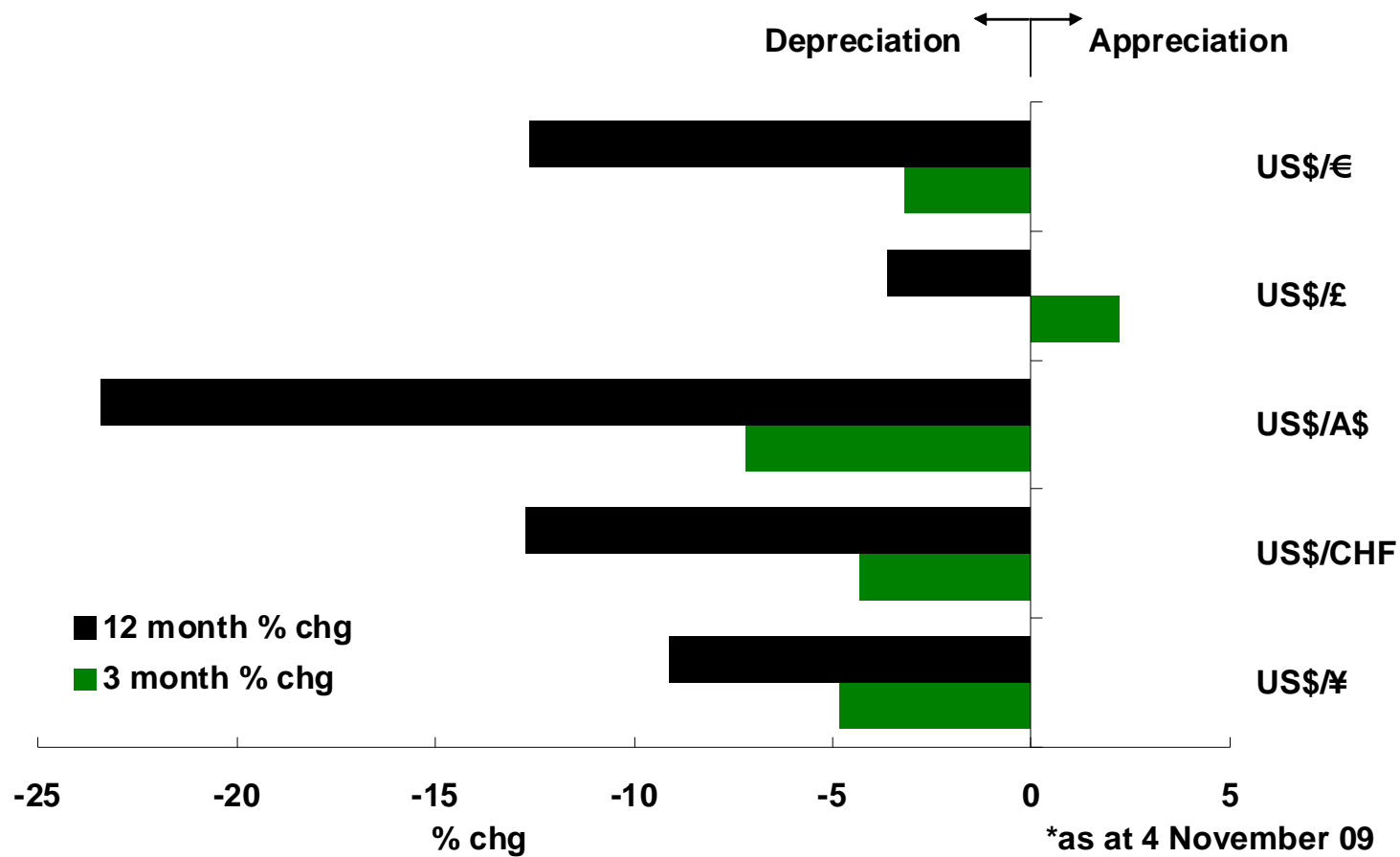


➔ The IMF estimates that, across both advanced and emerging economies, a 1% of GDP increase in debt raises government bond yields by 5 to 10 basis point, although there is a lot of variation across countries.

Source: IMF, Macquarie Research, November 2009



The US\$ will continue to be heavily discounted

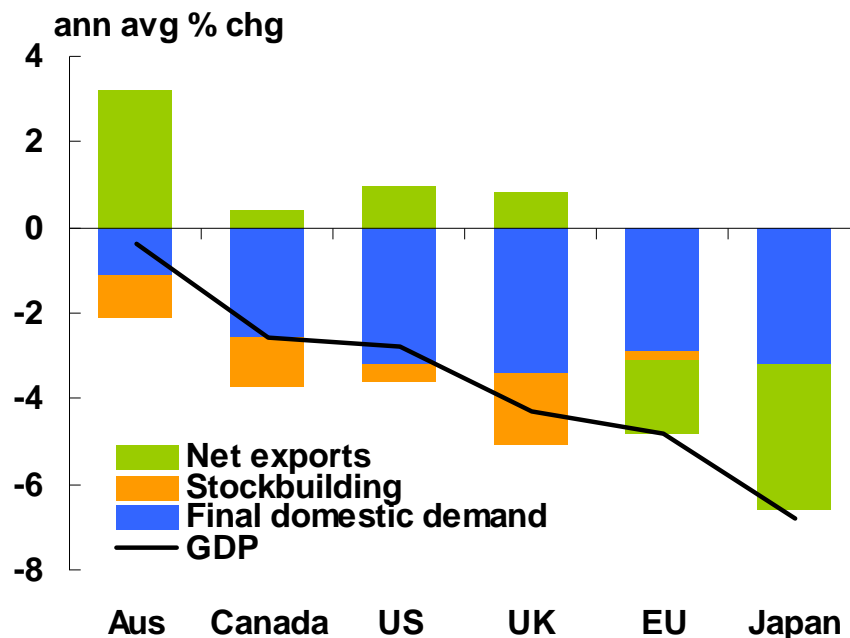


Source: Datastream, Macquarie Research, November 2009

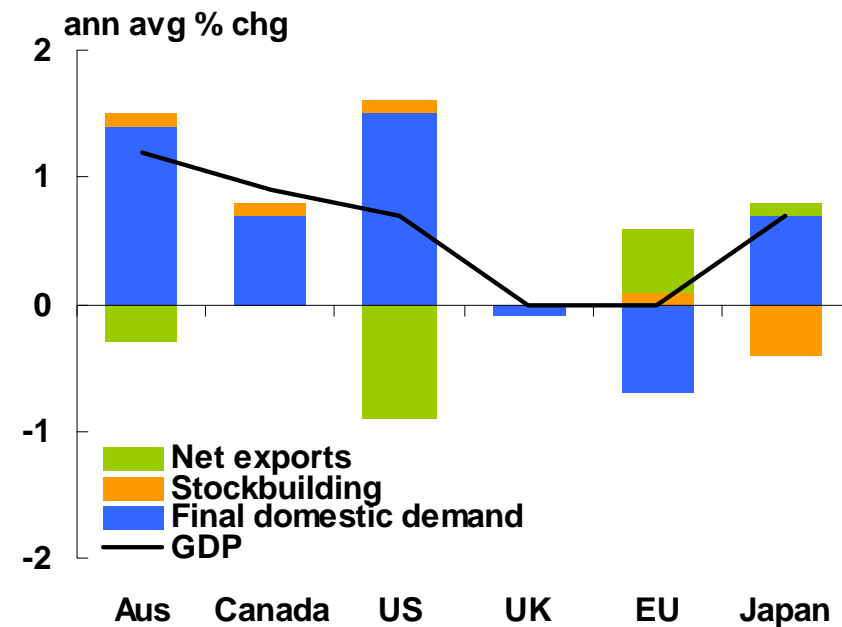


Australia is expected to remain resilient to the current crisis, relative to global peers

Contribution to 2009 growth



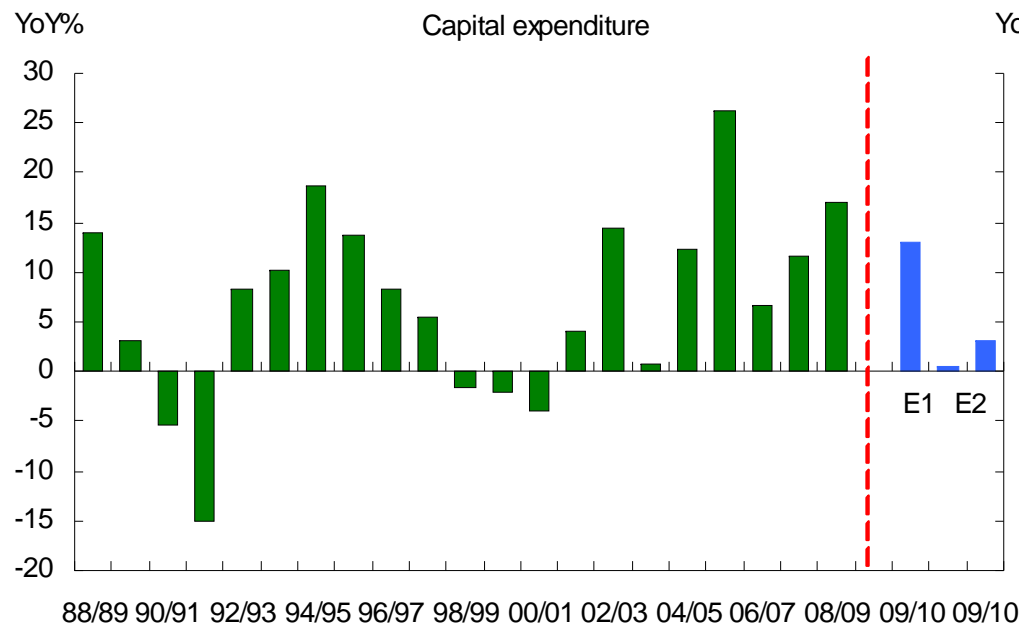
Contribution to 2010 growth



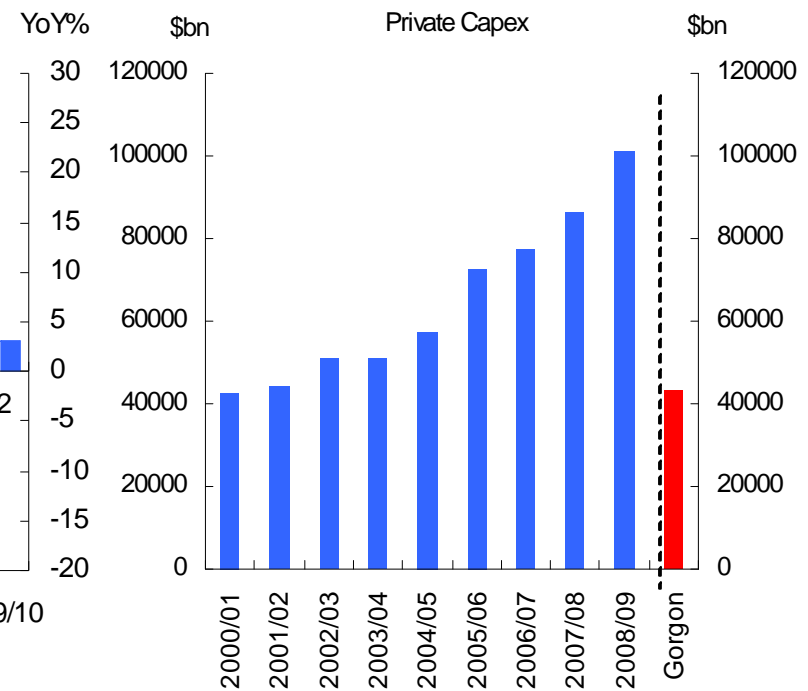
Source: OECD, Macquarie Research, November 2009



Firms are rethinking their extremely pessimistic capex plans, and Gorgon is a significant boost



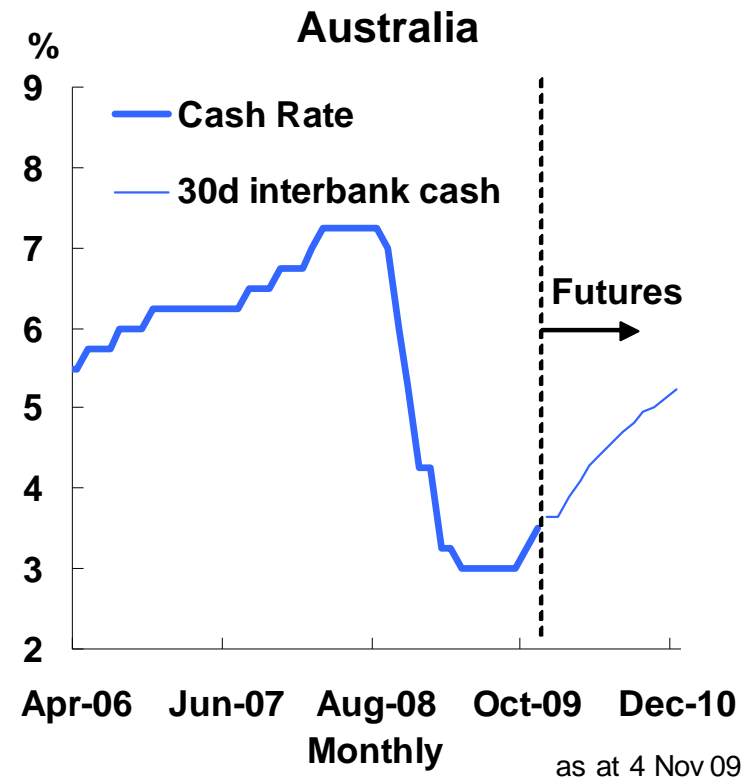
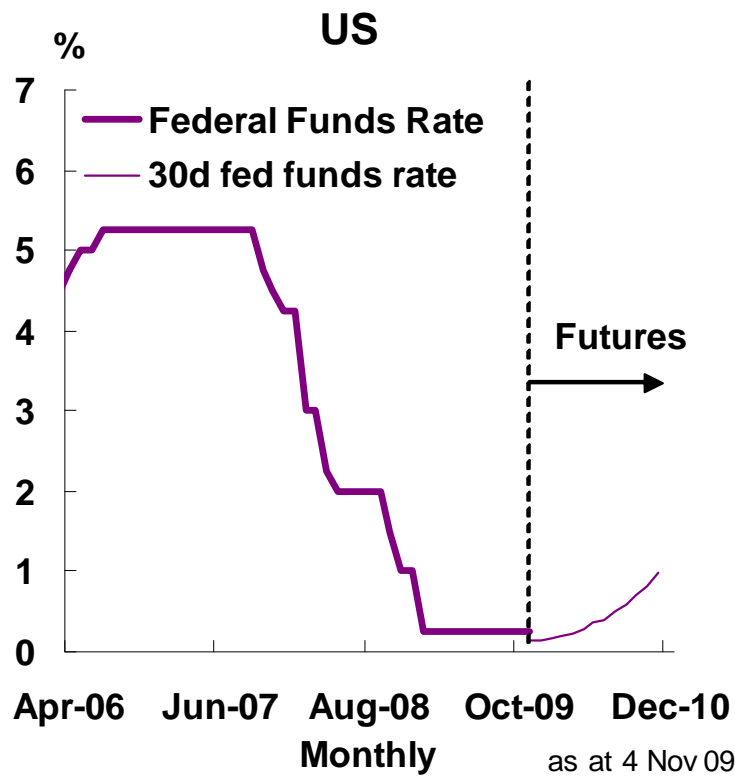
*Macq Est assumes that the profile of capex intentions throughout 09/10 will be realised at the 5 year average rate



Source: ABS, Macquarie Research, November 2009



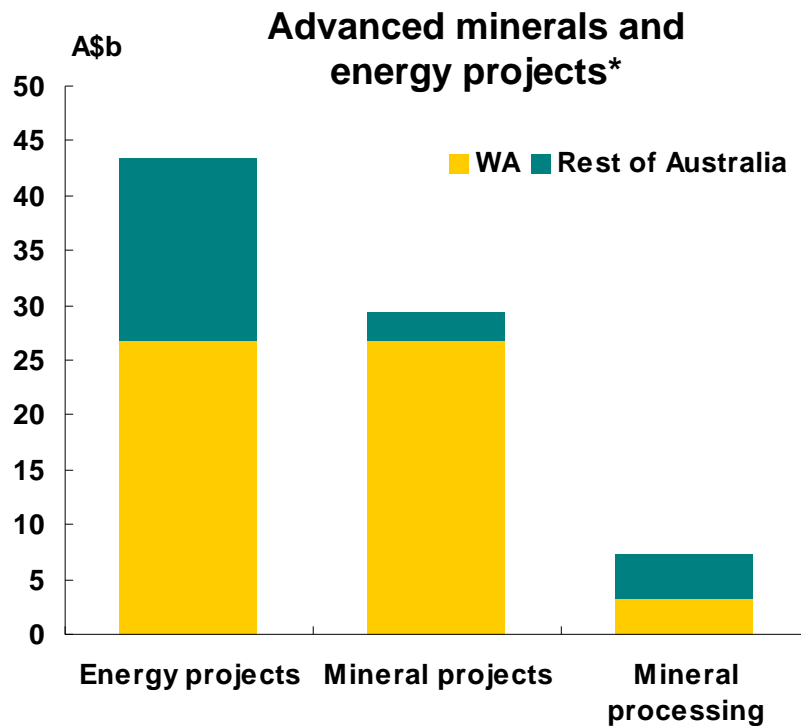
The RBA is one of the first central banks to begin moving up from the ‘emergency setting’



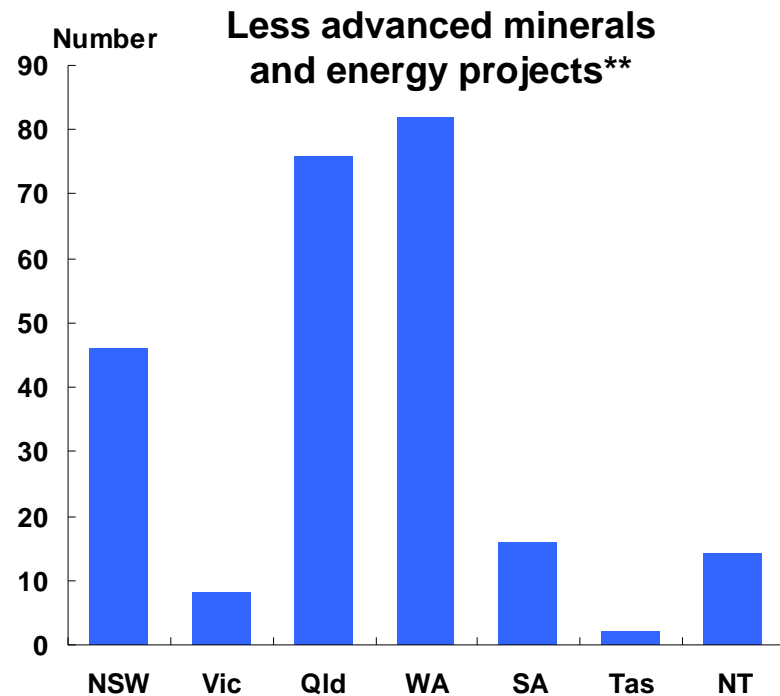
Source: Datastream, CBOT, SFE, October, 2009



Ongoing strong global commodity demand is expected to benefit Western Australia



*excludes Gorgon project

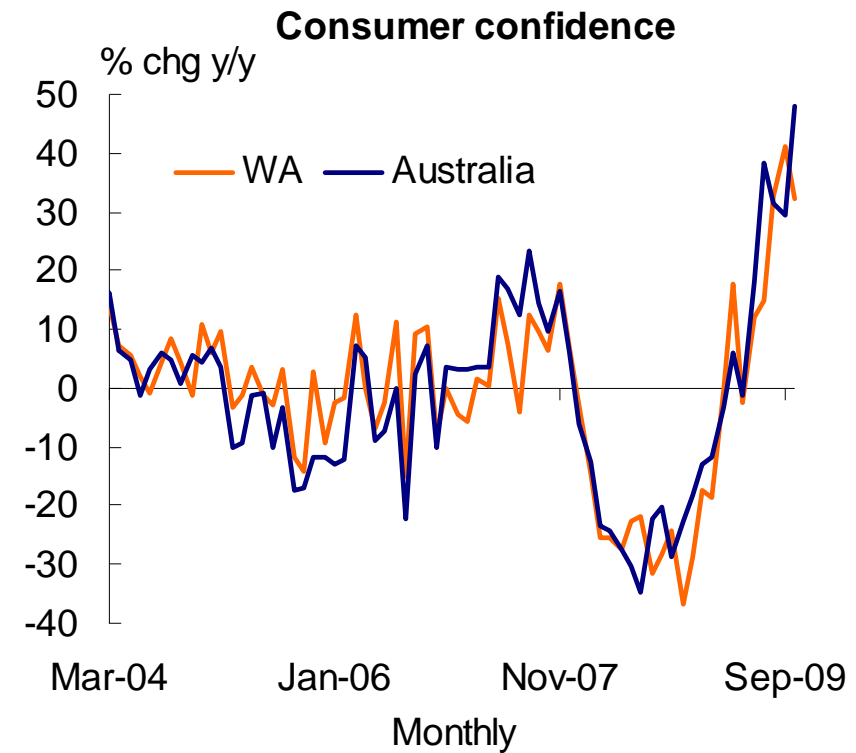
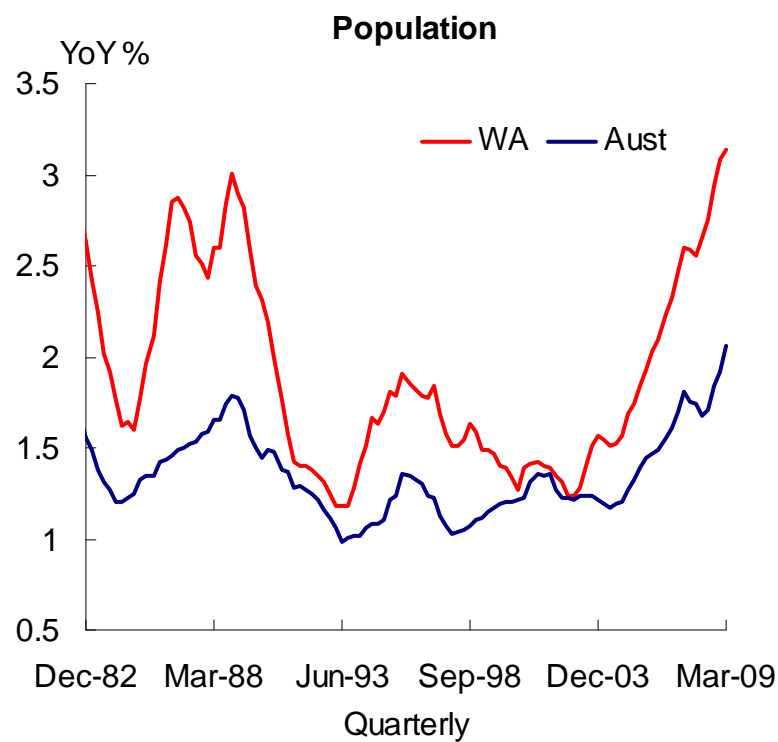


**projected capital spend of A\$277bn

Source: ABARE, Macquarie Research, November 2009



Population growth is extremely strong, and confidence is rebounding rapidly



Source: Datastream, Macquarie Research, November 2009



The balance of risks for 2009-10

Return of shorter business cycles

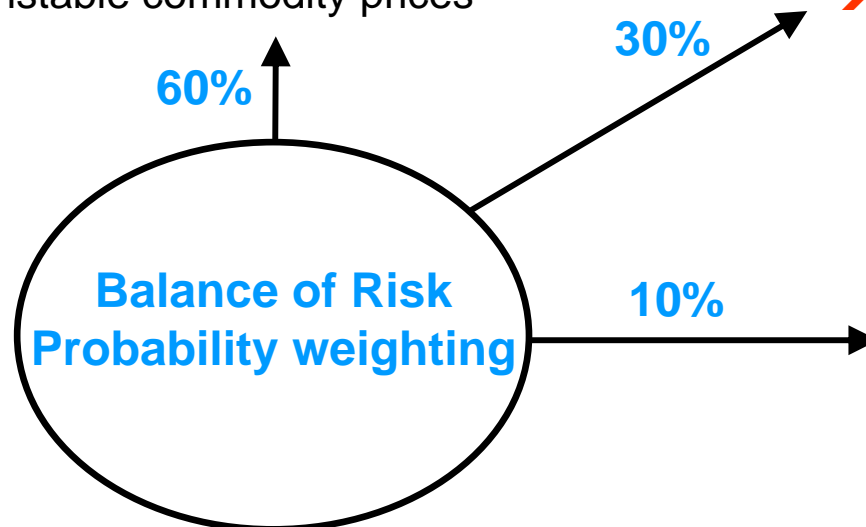
- Short sharp surges in growth
- Fragile business and consumer confidence
- Volatile asset markets with high turnover
- Higher official interest rates
- Unstable commodity prices

Flat-lining with deflation

- Low sub-trend growth
- Stagnant to weaker asset markets
- Depressed business and consumer confidence
- Low interest rates and bond yields
- Deflating commodity prices

Back to stronger for longer

- Strong above-trend growth
- Reflating asset markets
- Buoyant business and consumer confidence
- Steadily rising interest rates
- Rising commodity prices





Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return > 5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return > 5% below benchmark return

Macquarie – Asia/Europe

Outperform – expected return >+10%
Neutral – expected return from -10% to +10%
Underperform – expected <-10%

Macquarie First South - South Africa

Outperform – return > 10% in excess of benchmark return
Neutral – return within 10% of benchmark return
Underperform – return > 10% below benchmark return

Macquarie - Canada

Outperform – return > 5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return > 5% below benchmark return

Macquarie - USA

Outperform – return > 5% in excess of benchmark return
Neutral – return within 5% of benchmark return
Underperform – return > 5% below benchmark return

Recommendation – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition*

This is calculated from the volatility of historic price movements.

Very high–highest risk – Stock should be expected to move up or down 60-100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40-60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30-40% in a year.

Low–medium – stock should be expected to move up or down at least 25-30% in a year.

Low – stock should be expected to move up or down at least 15-25% in a year.

* Applicable to Australian/NZ stocks only

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense

Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit /efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit /average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation definitions – For quarter ending 30 September 2009

	AU/NZ	Asia	RSA	USA	CA	EUR
Outperform	45.08%	54.02%	40.00%	42.31%	62.86%	43.61%
Neutral	39.77%	19.10%	45.00%	43.36%	31.90%	39.85%
Underperform	15.15%	26.88%	15.00%	14.34%	5.24%	16.54%



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