



Equities

October 2009

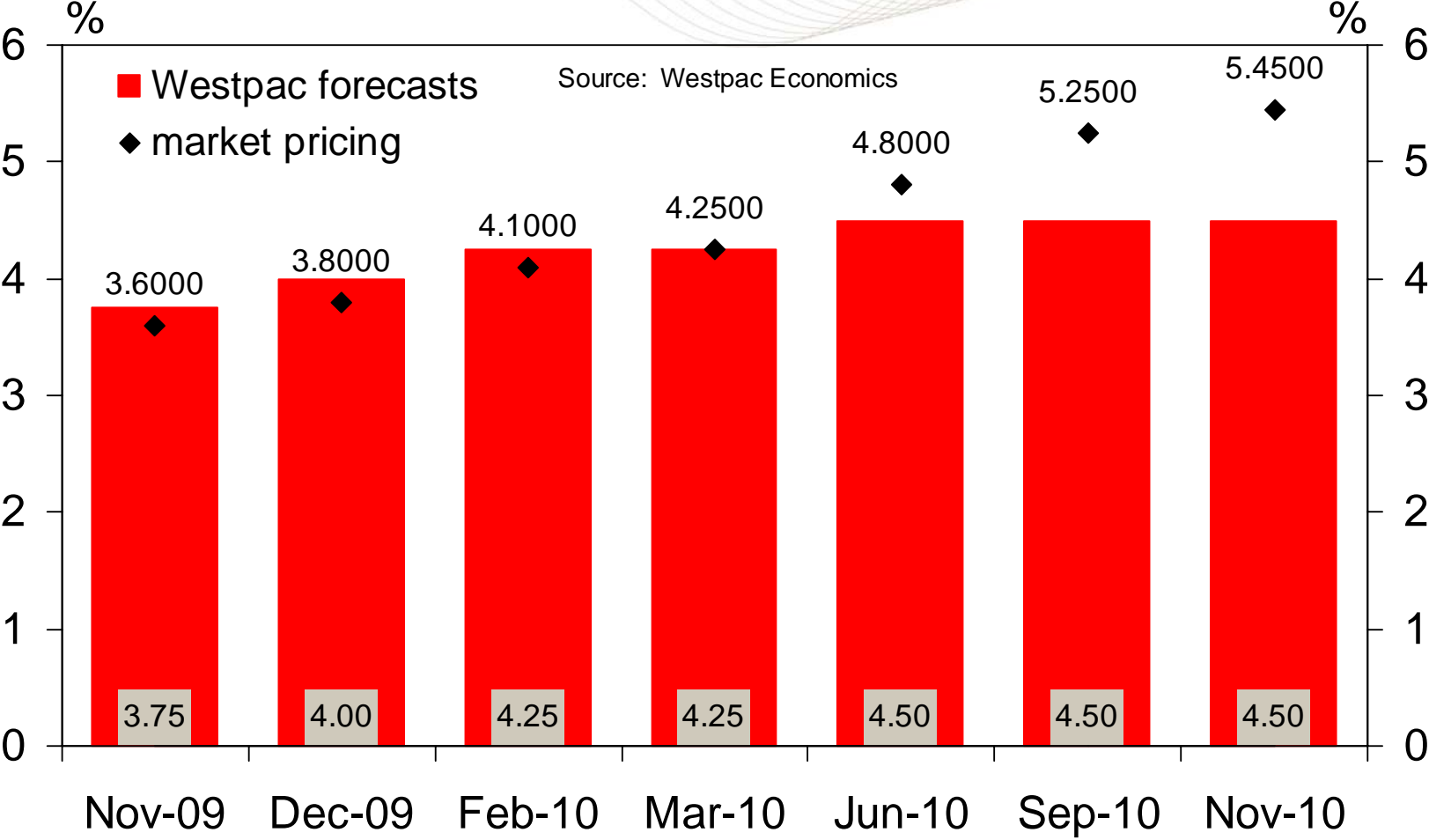
Bill Evans

Chief Economist,
Economics & Research

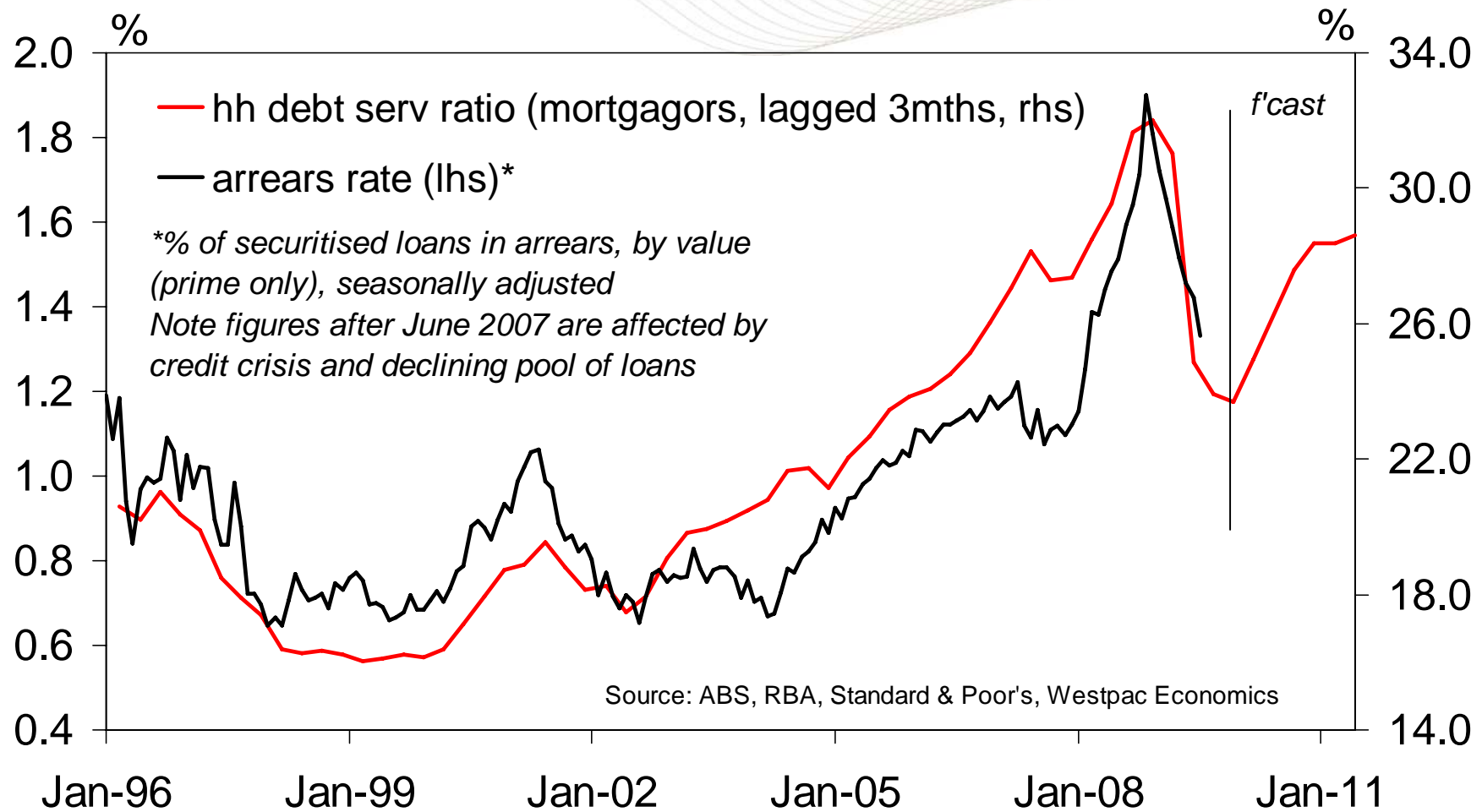
Current Forecasts- October 2009

	Latest	Dec-09	Jun-10	Dec-10
RBA Cash	3.25	4.00	4.50	4.50
3yr swap	5.34	5.5	6.25	6.25
10yr	5.56	5.50	5.75	6.00
US 10 yr	3.56	3.50	3.75	4.25
AUD/USD	0.92	0.98	0.92	0.95
USD/JPY	95	96	92	99
USD/EUR	1.47	1.48	1.40	1.48

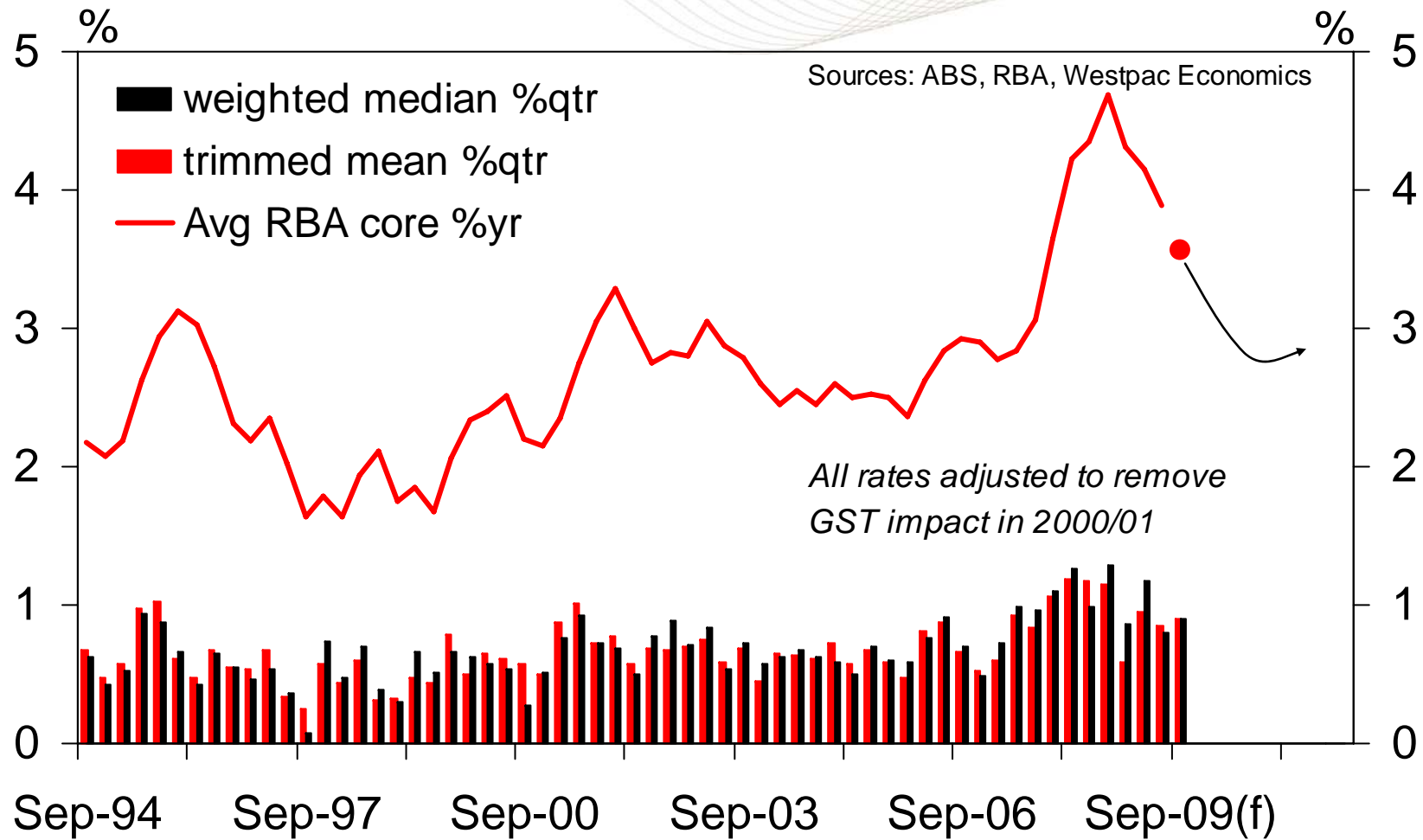
RBA cash rate: Westpac vs market pricing



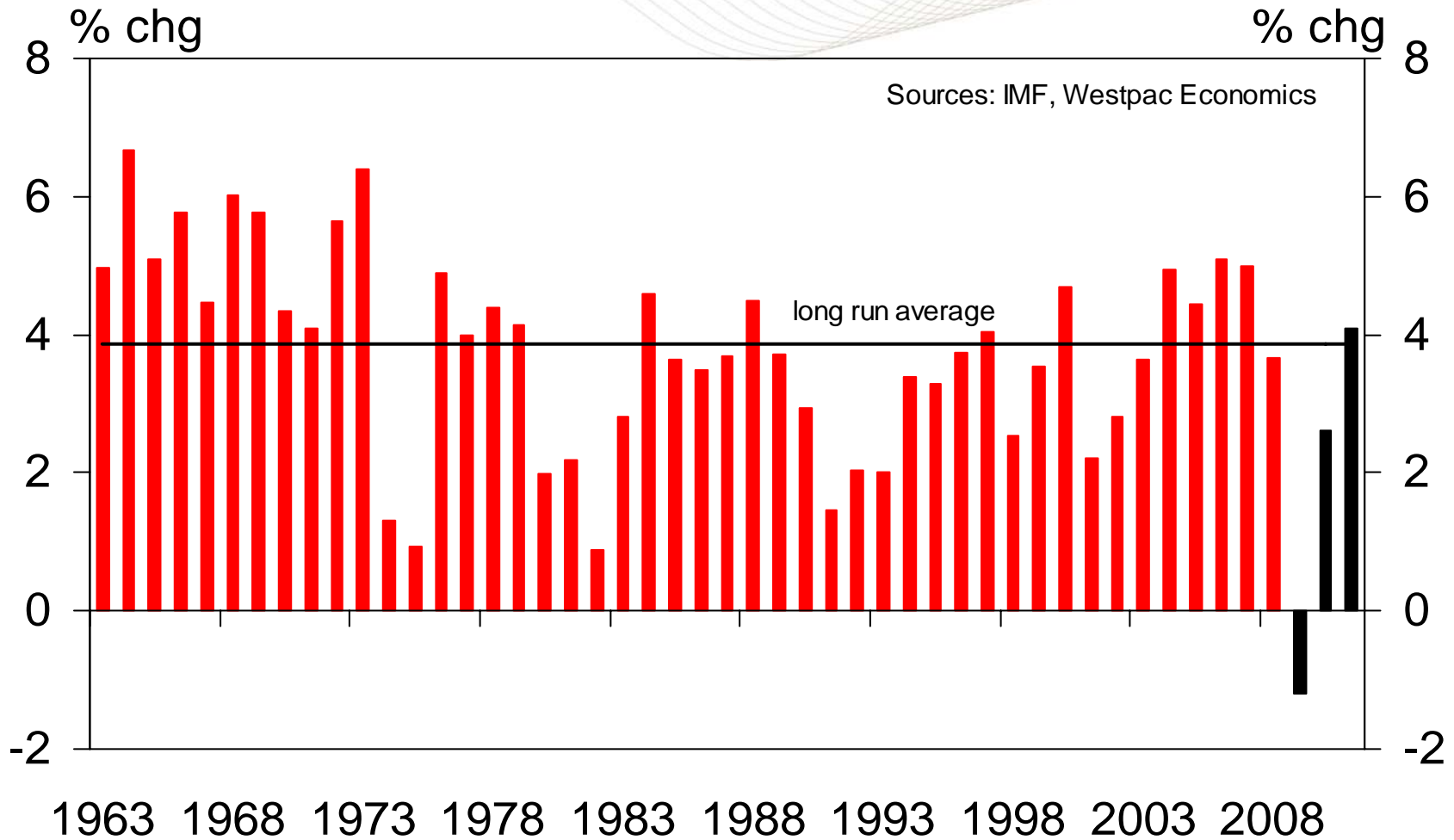
Debt burden vs mortgage arrears



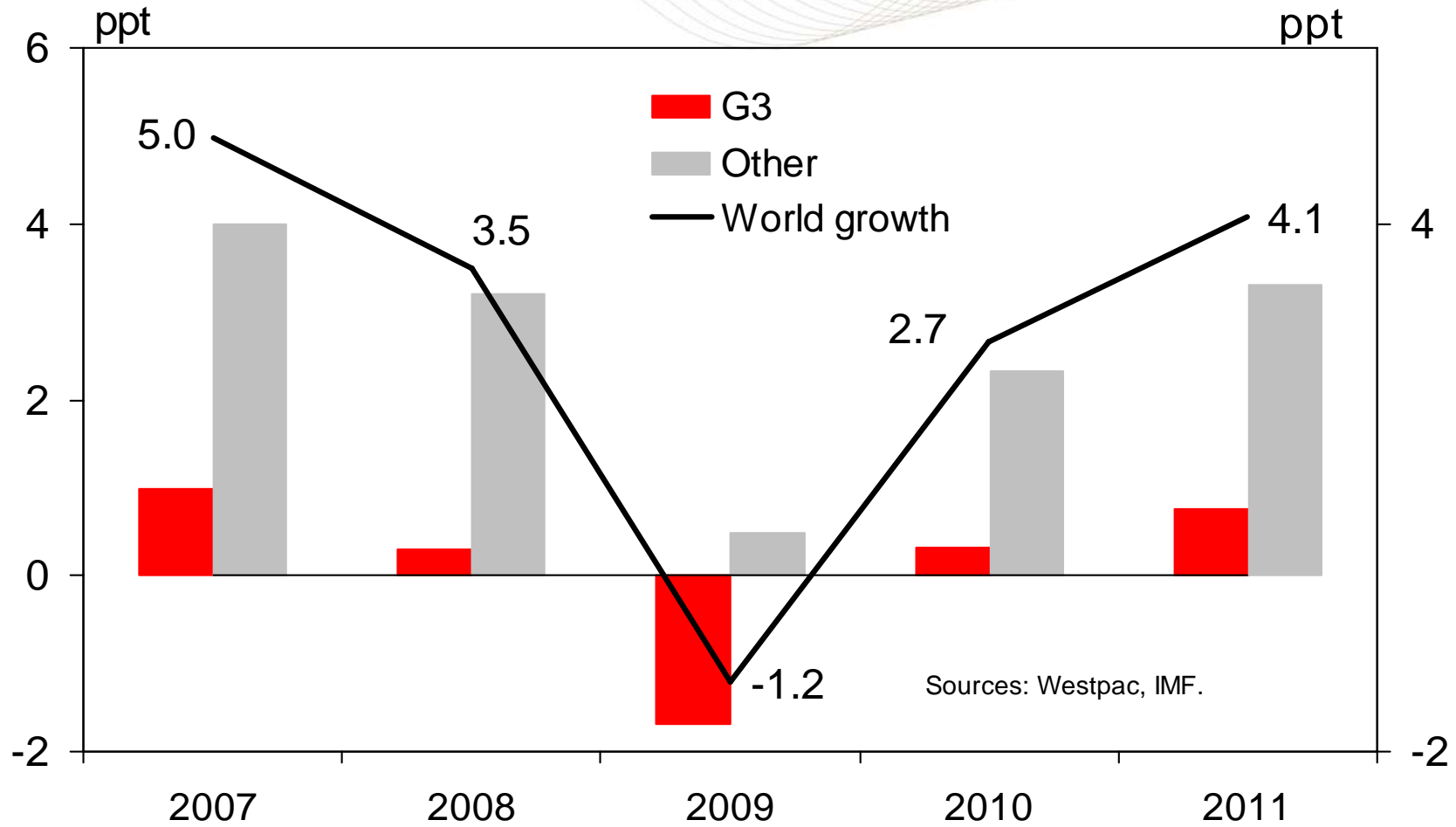
RBA core: trimmed mean & weighted median



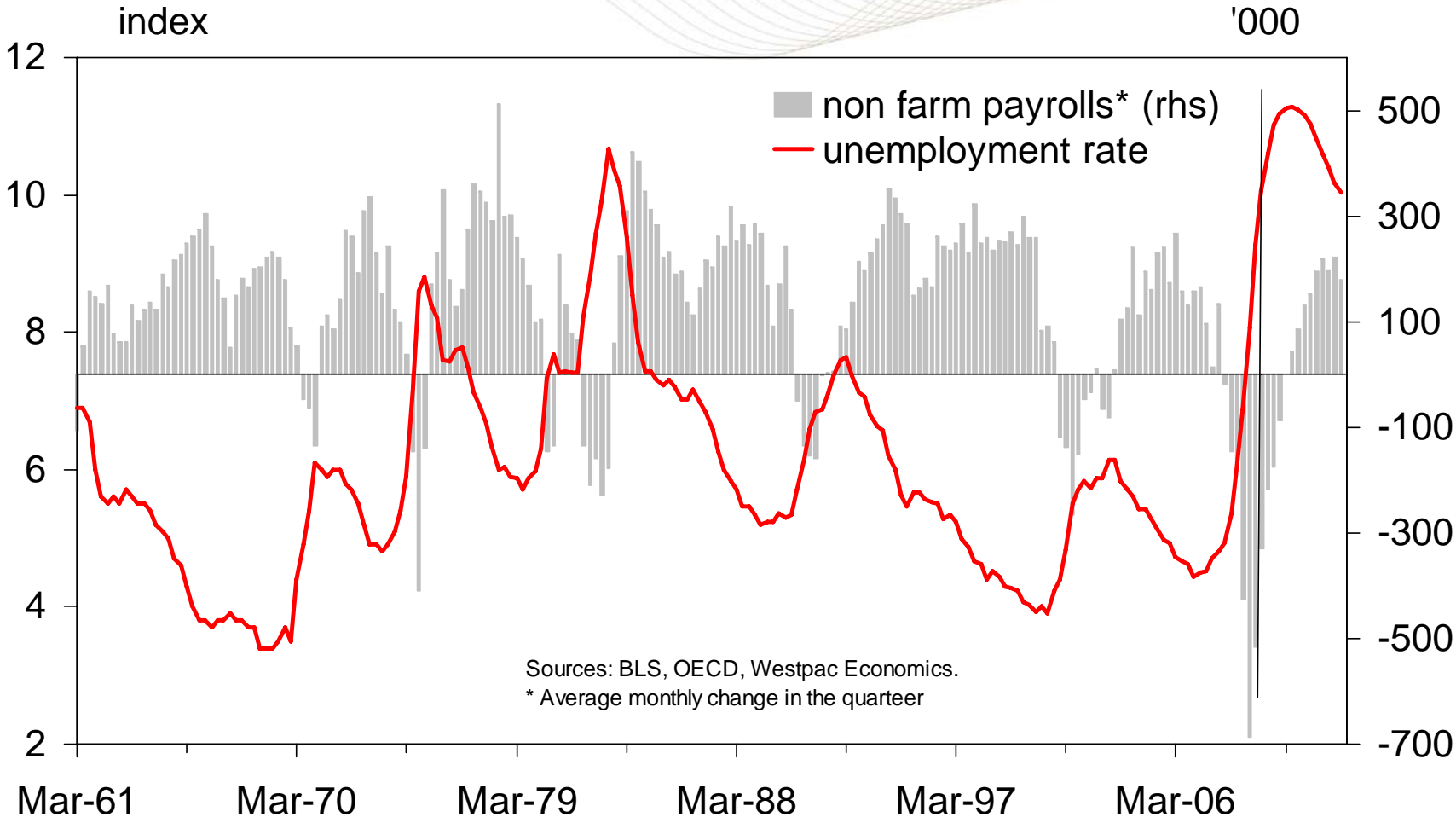
World growth- worst in 70 years



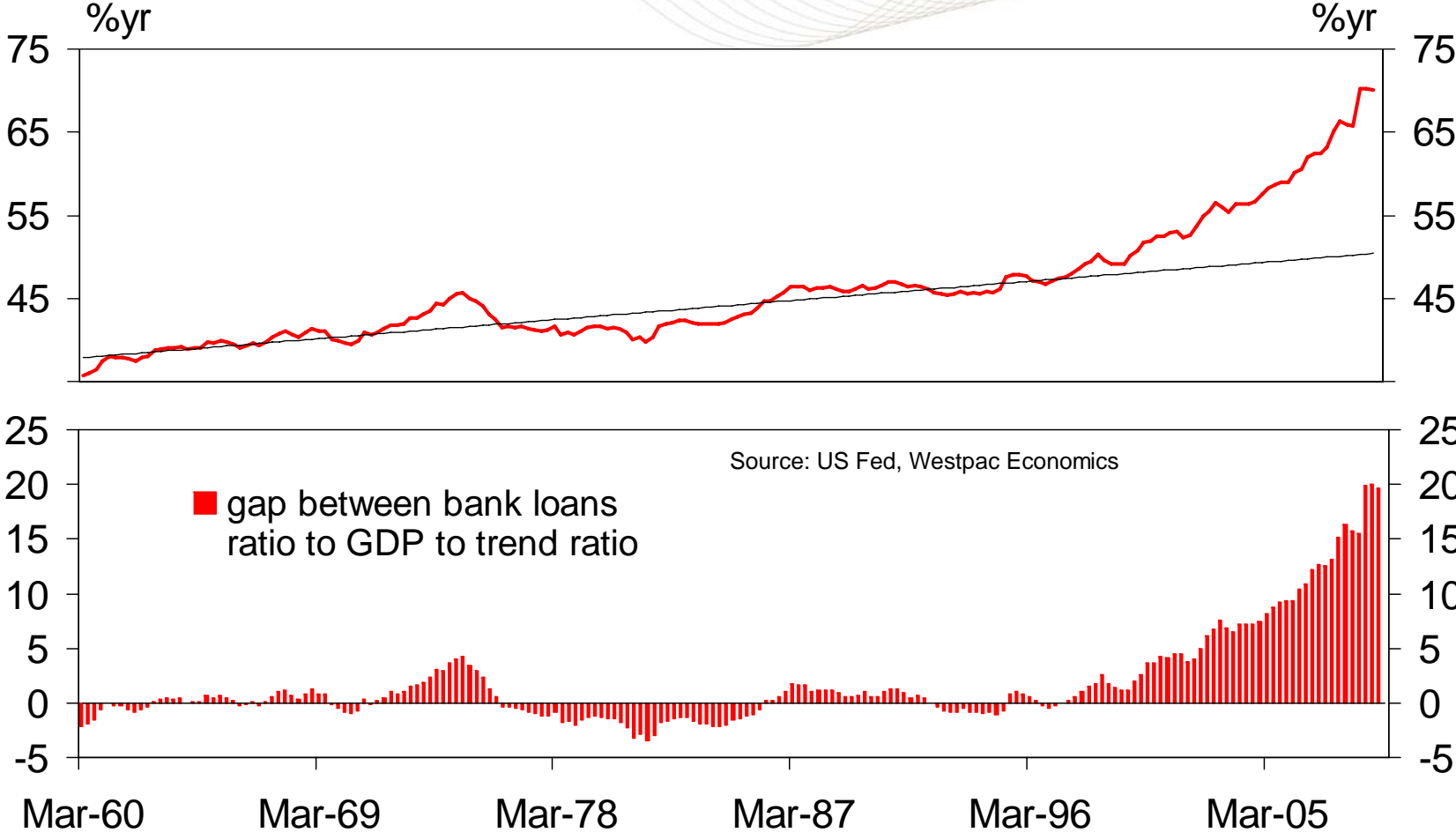
Contributions to world growth



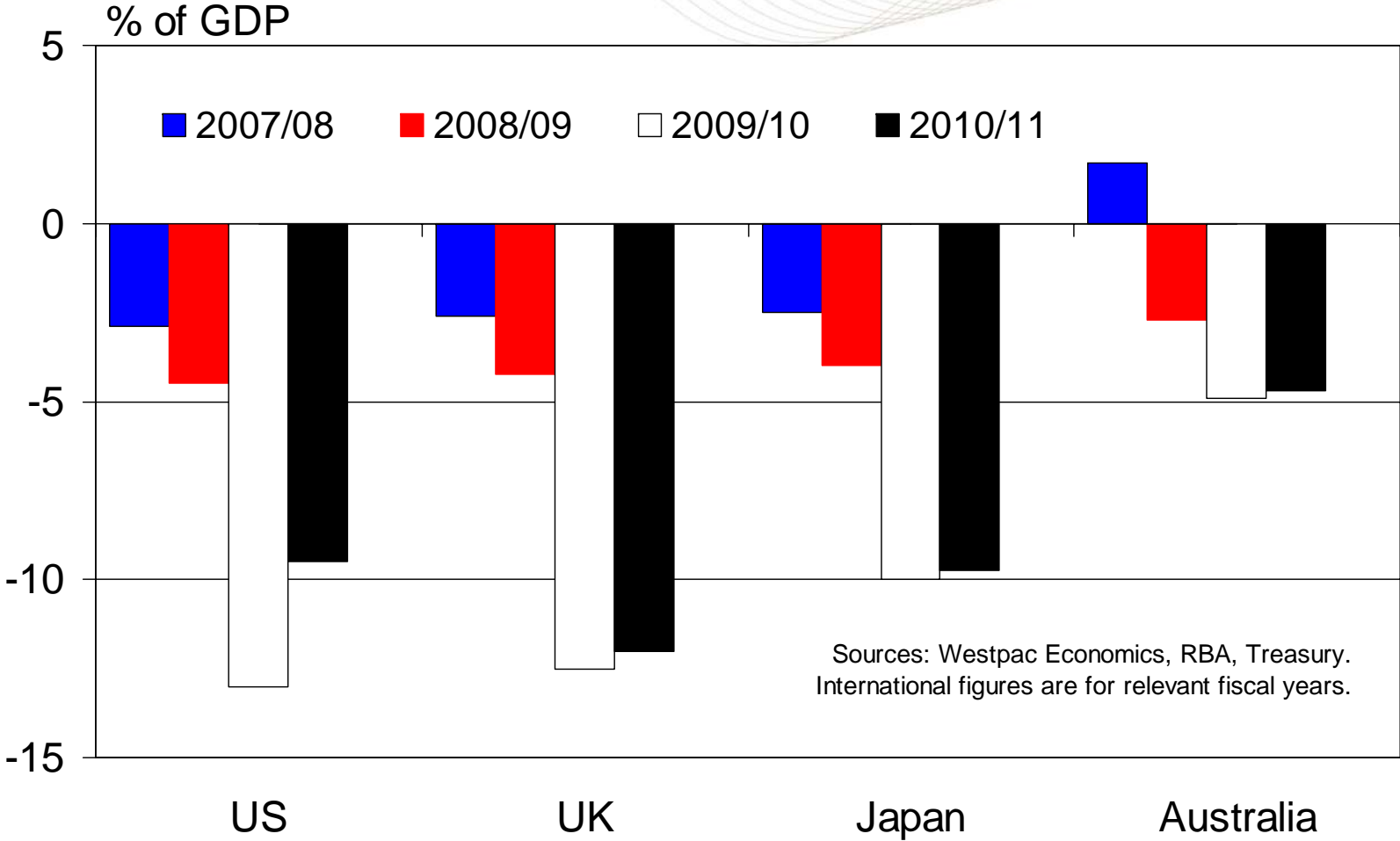
US job market: cuts are unprecedented



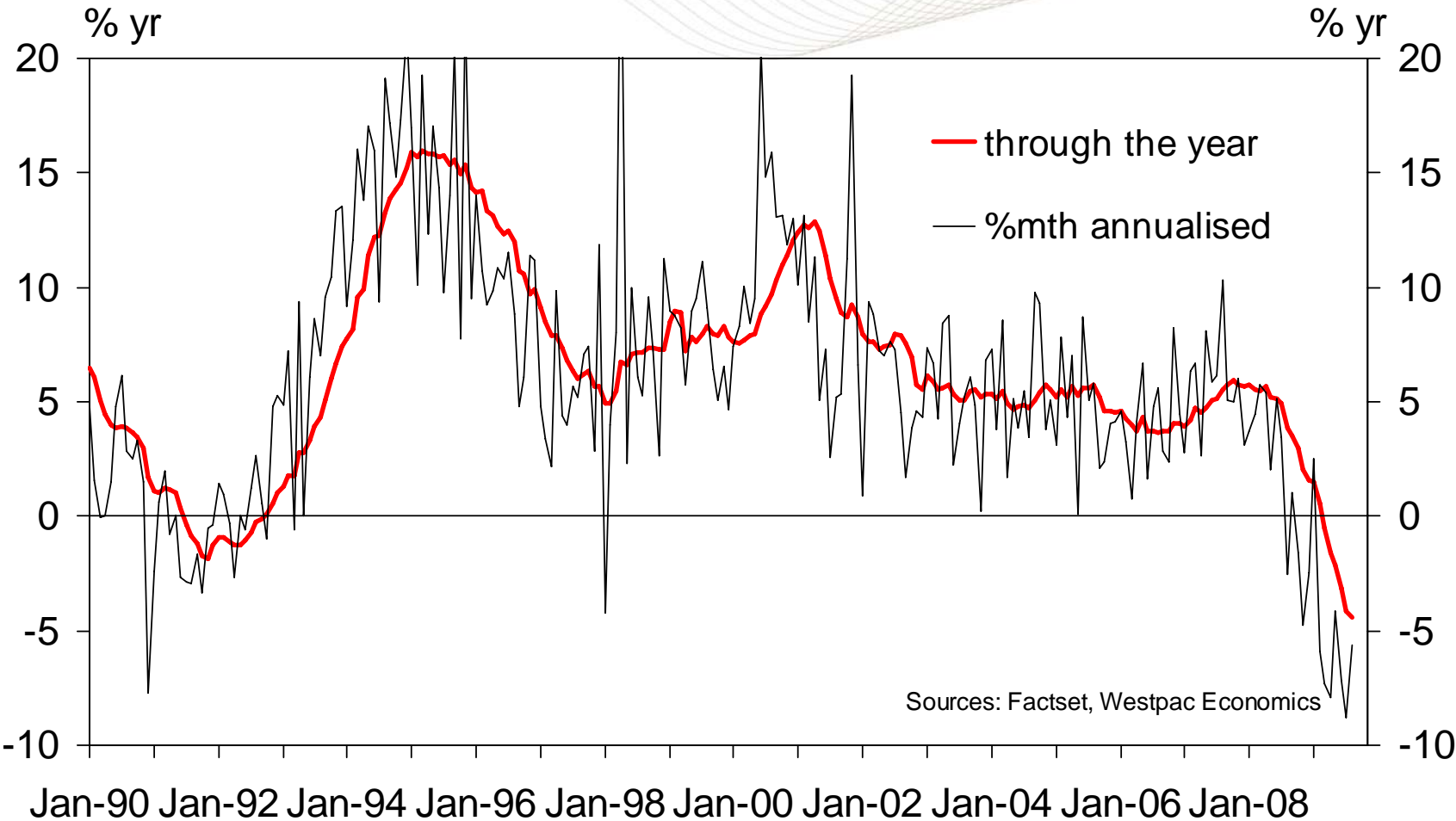
US banks remain highly leveraged



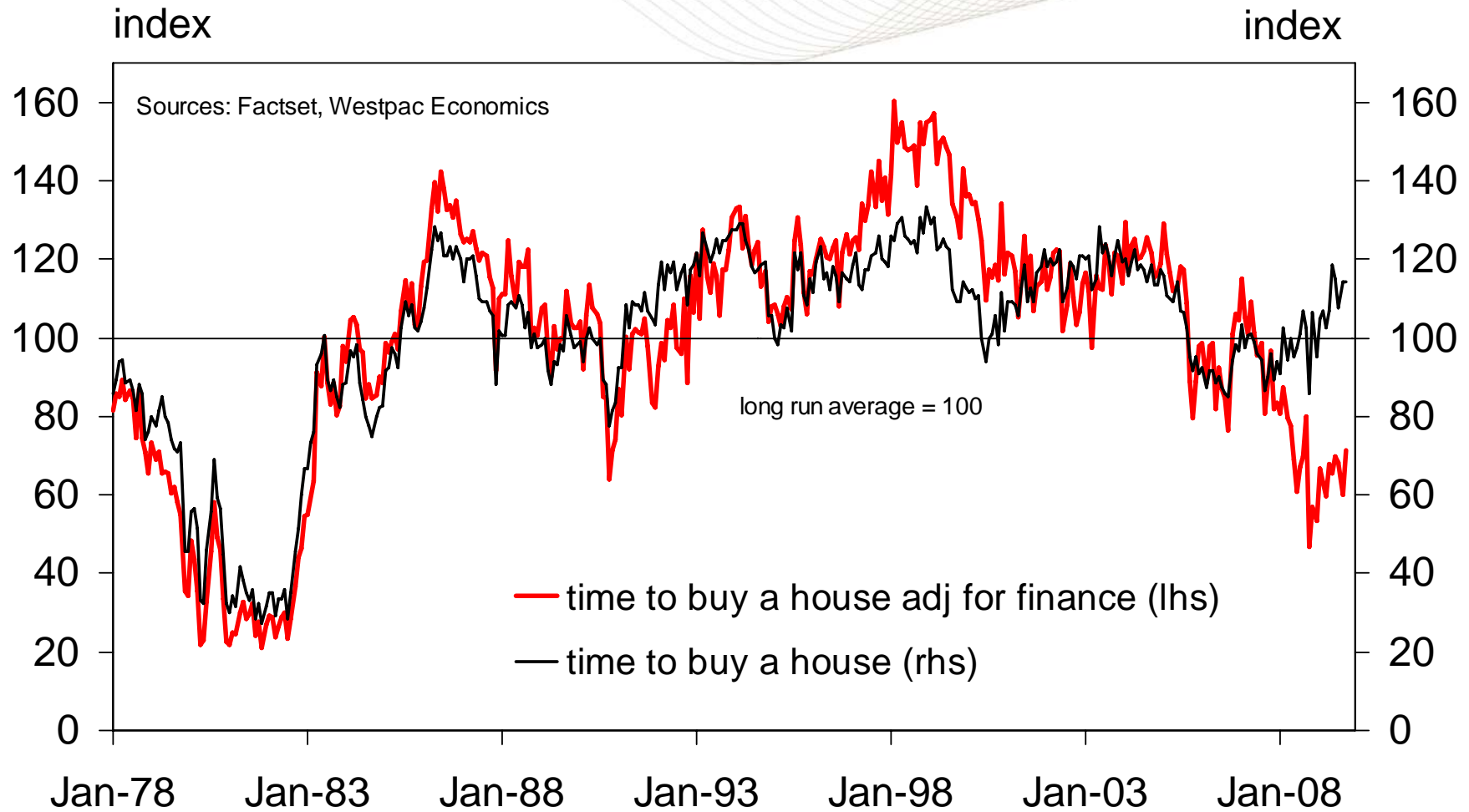
Comparative budget positions



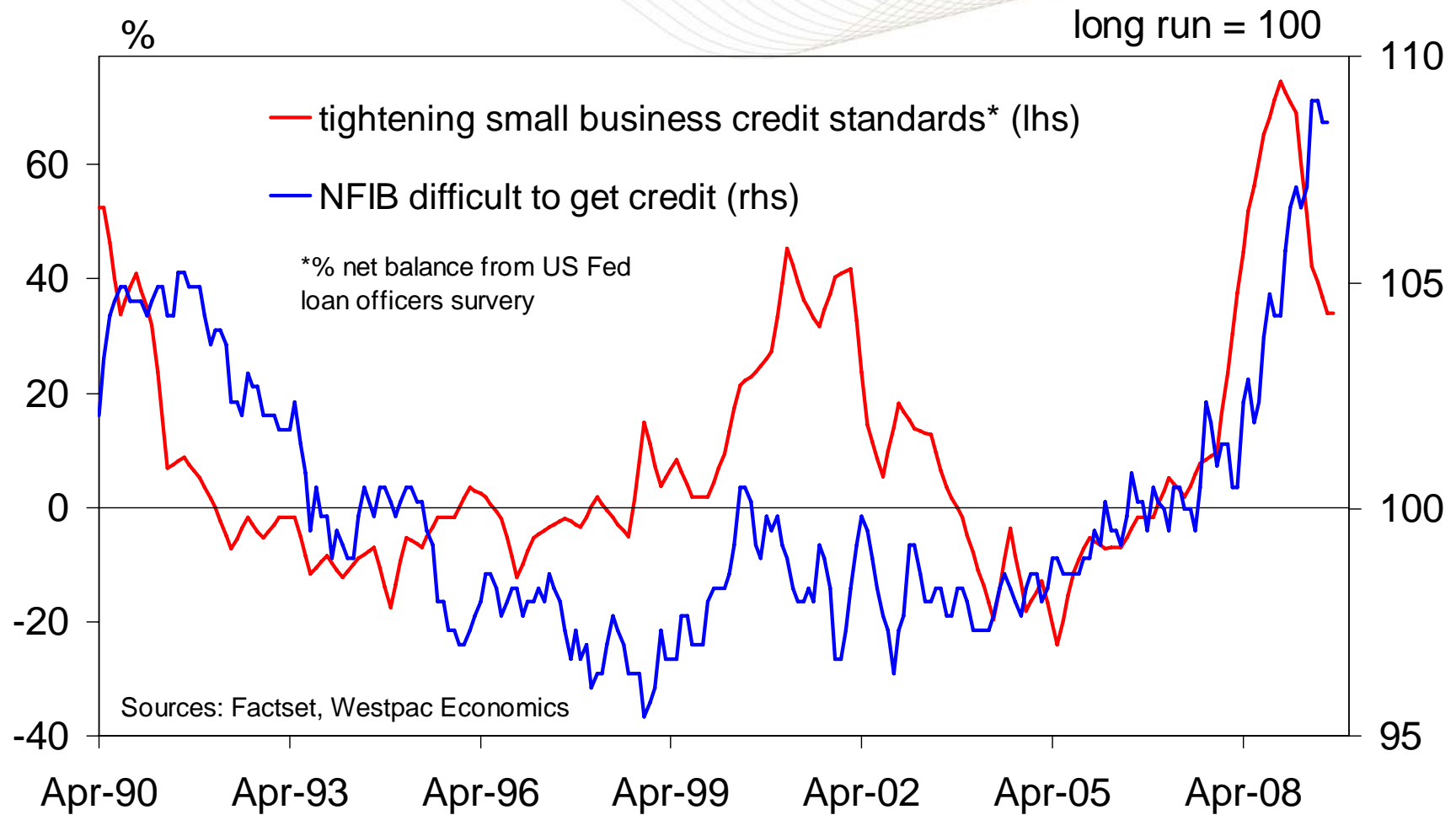
US consumer credit



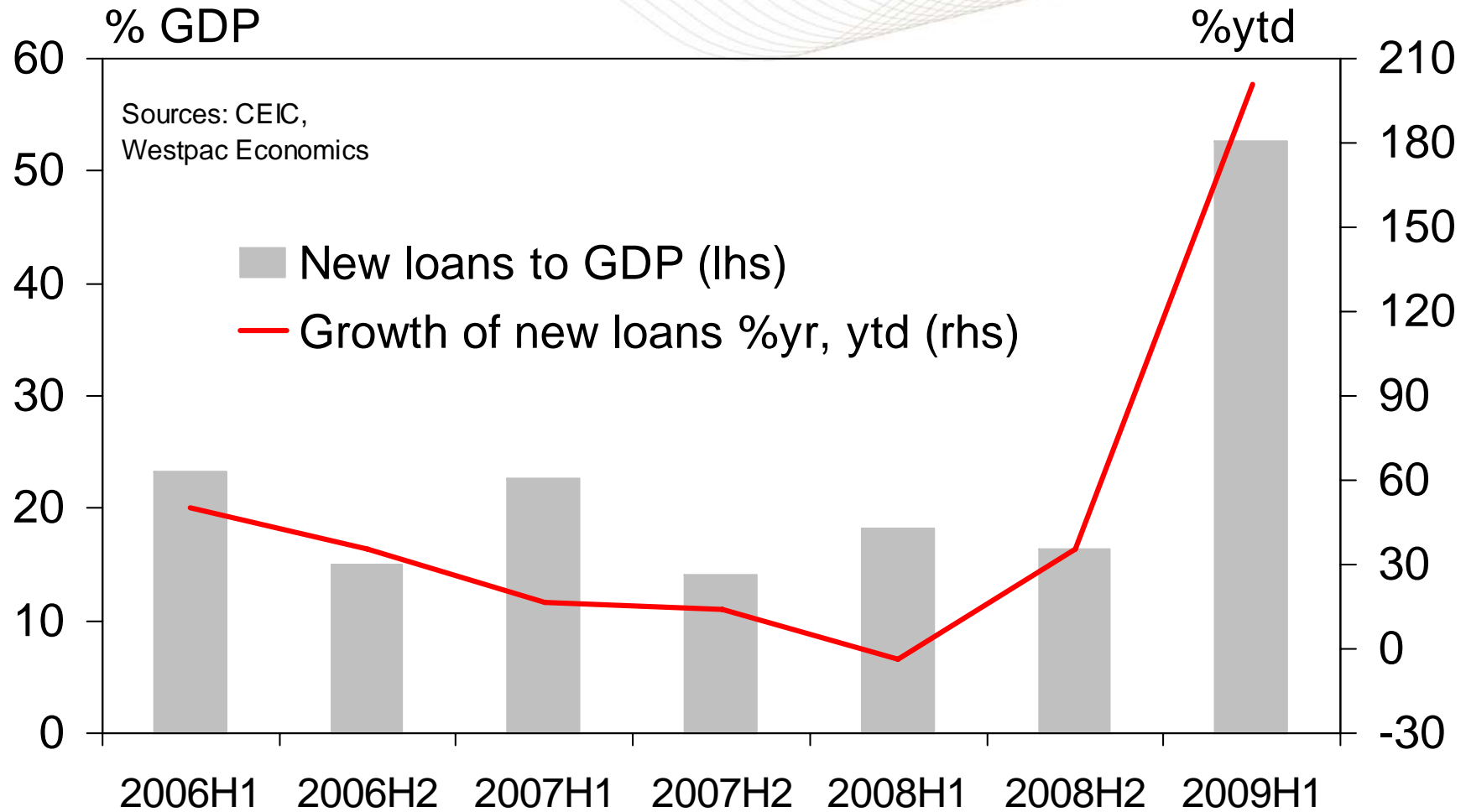
US housing constrained by credit



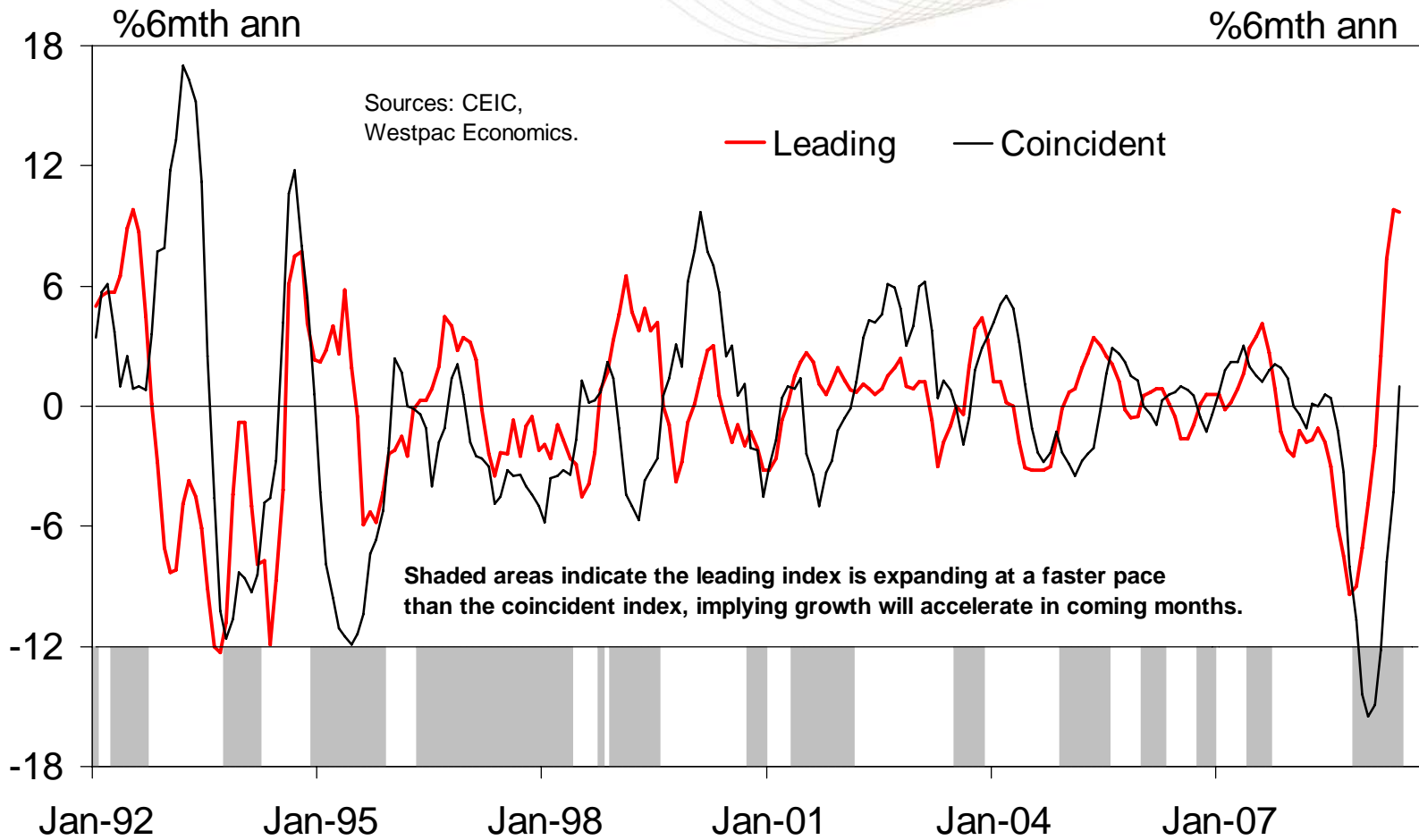
Credit crunch continues for SMEs



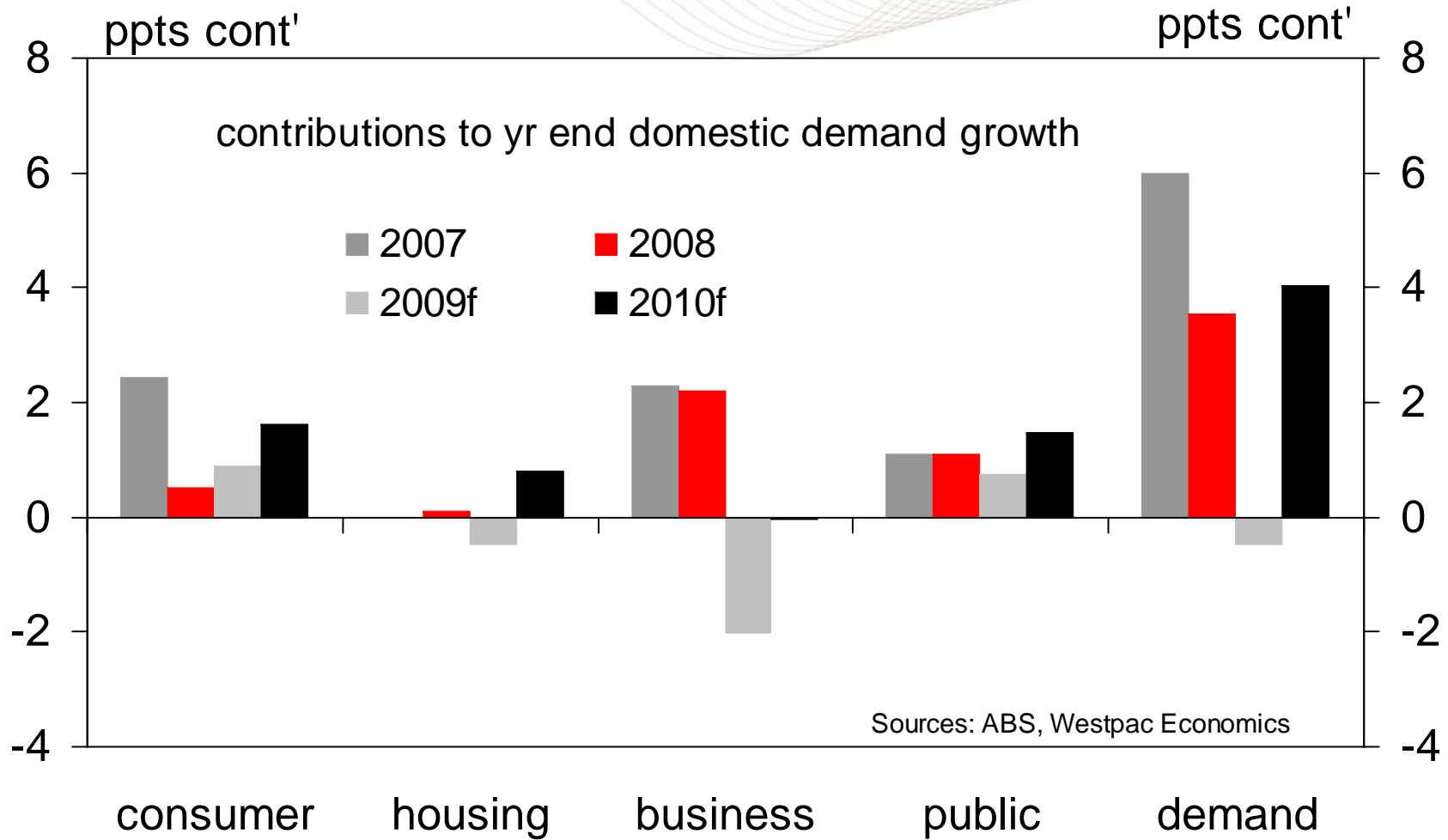
China :New loans to GDP- on fire!



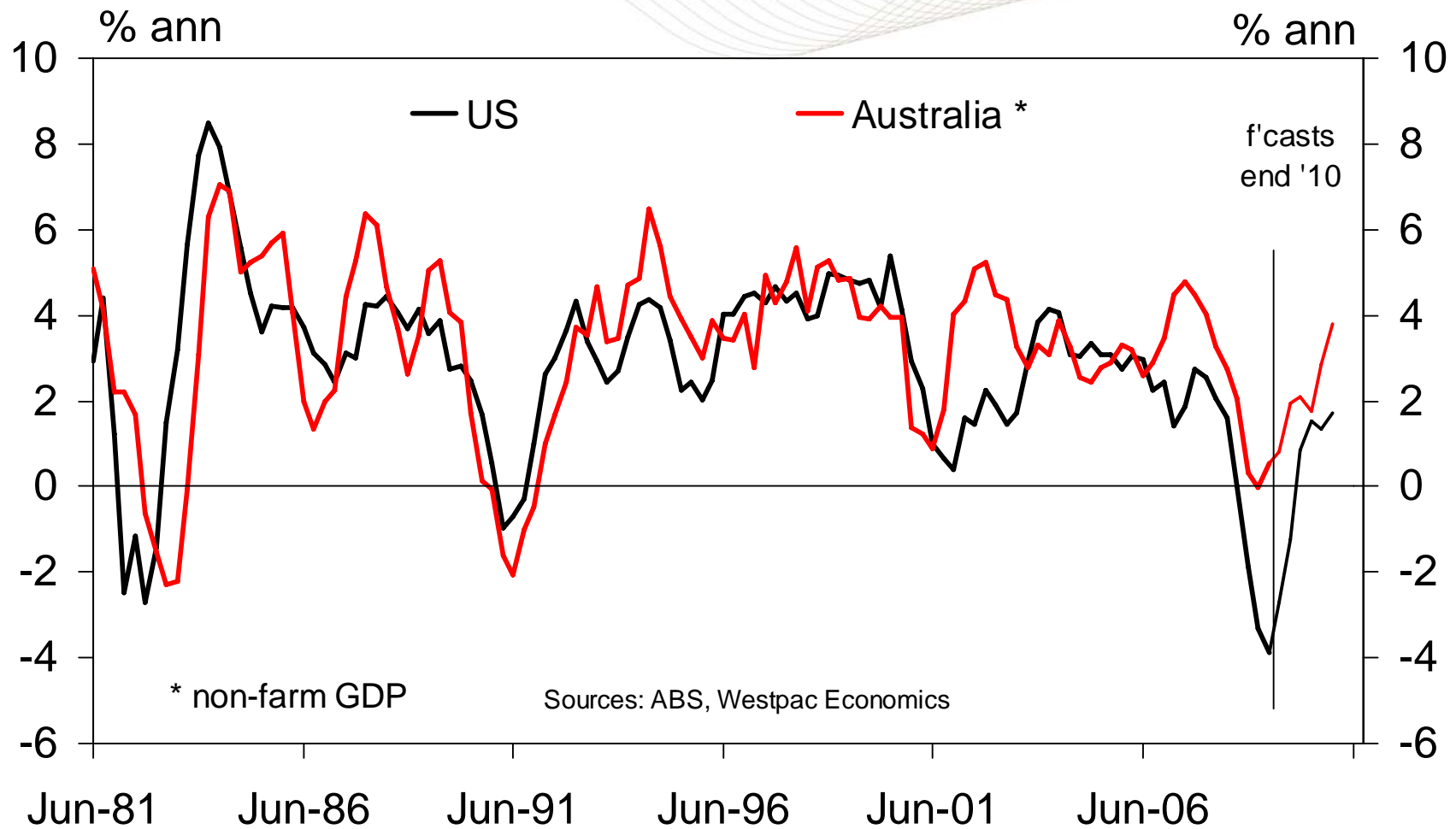
China's Leading Index: surges



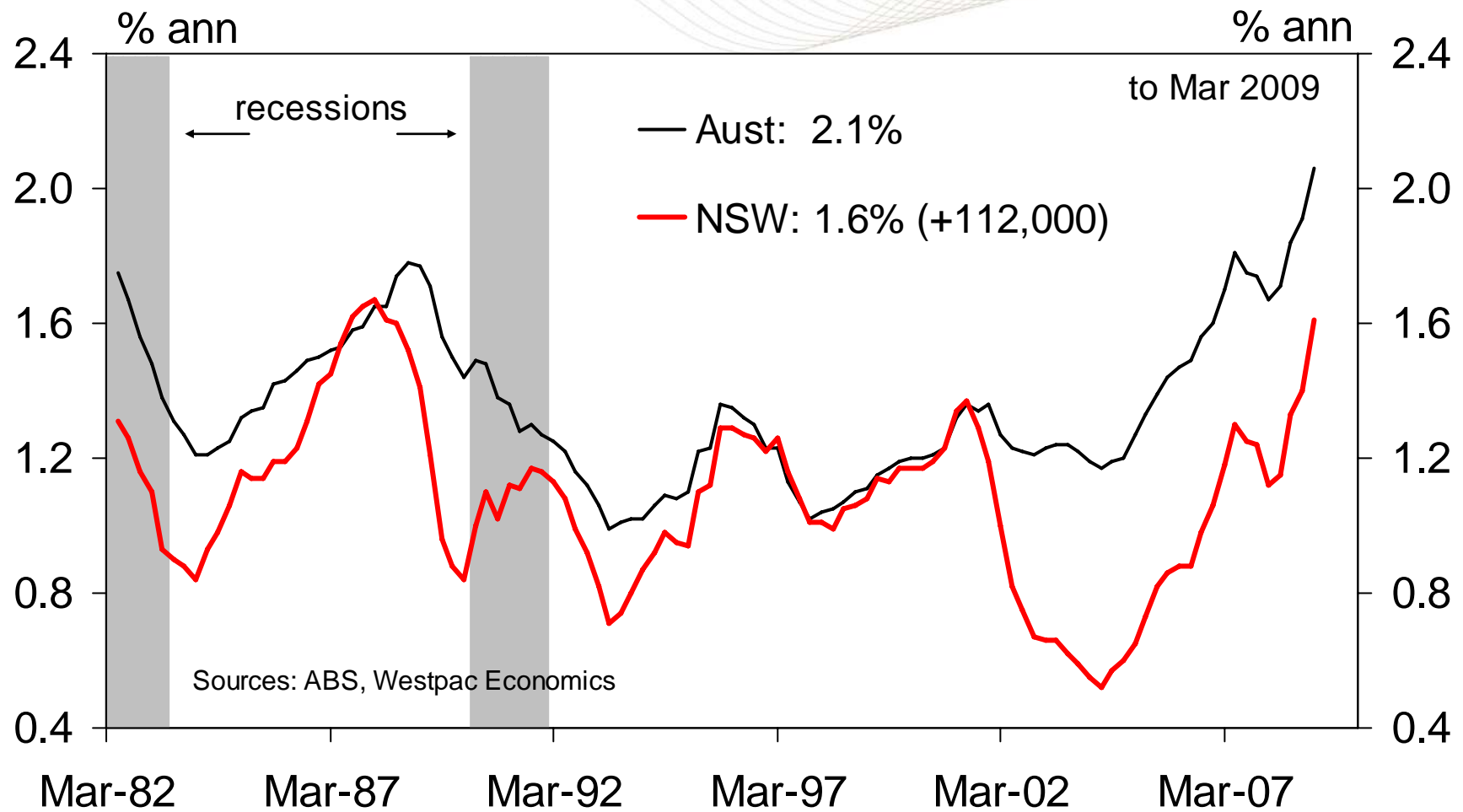
Australia: growth to rebound in 2010



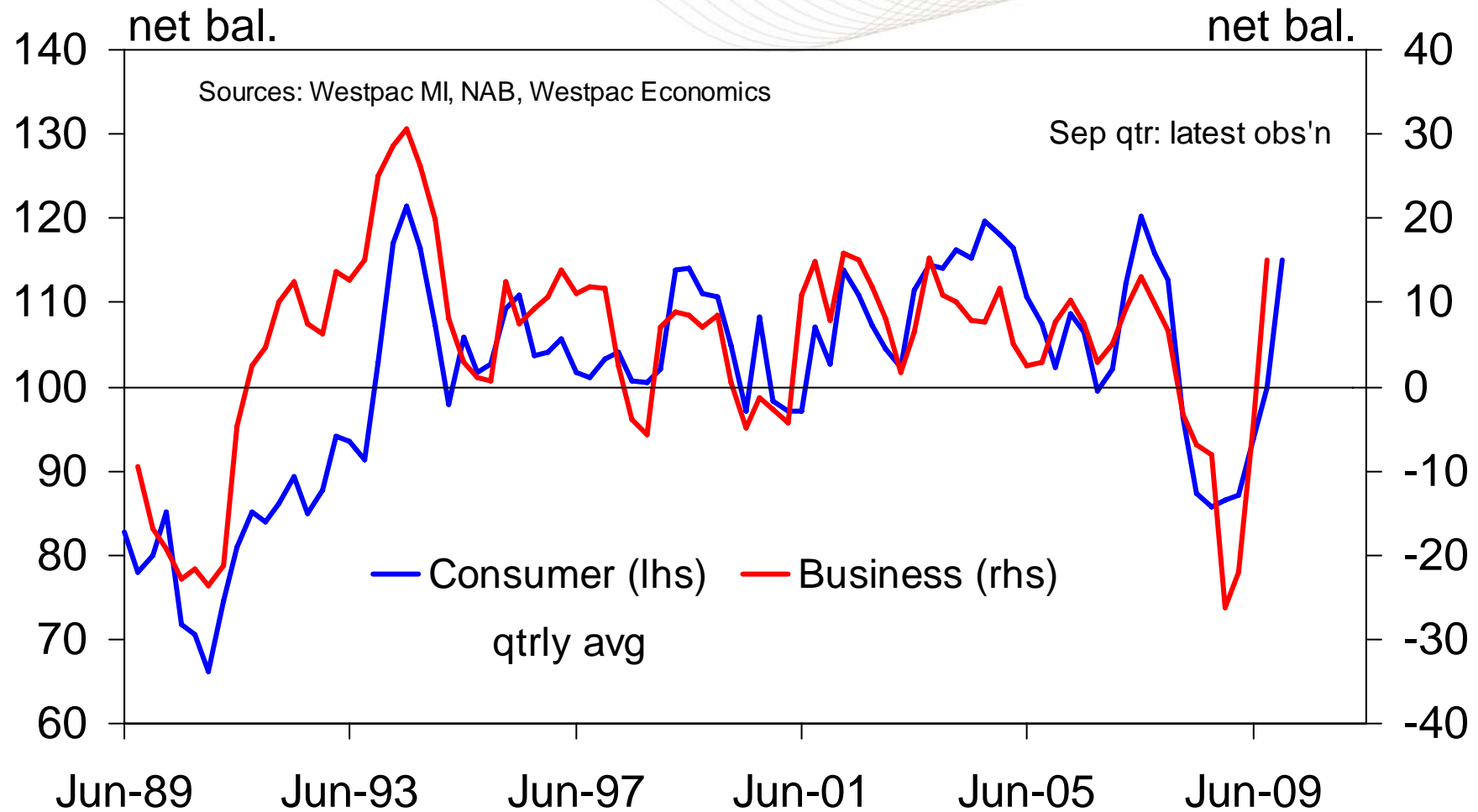
Australia exceeds US due to better policy



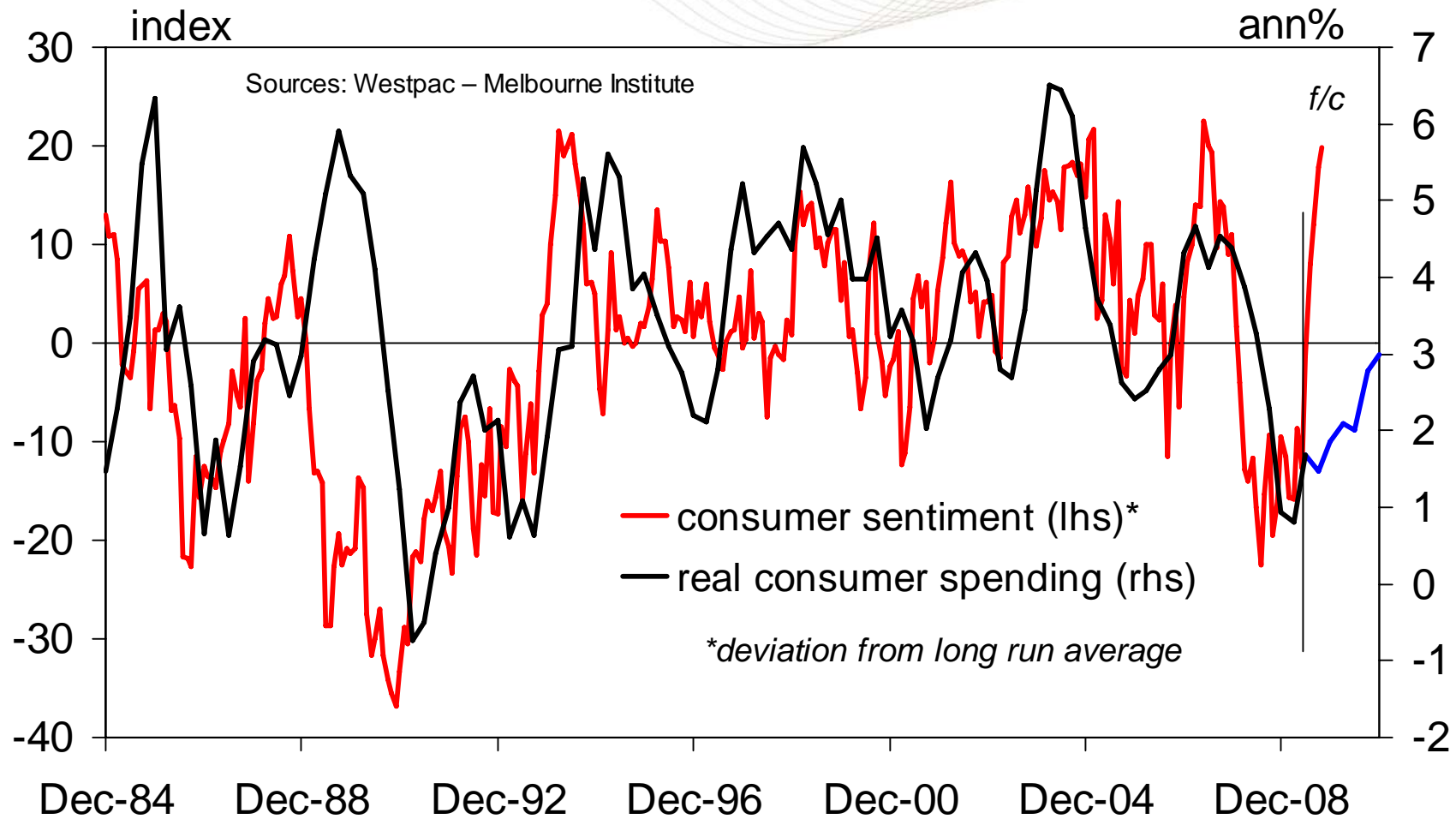
Population boom



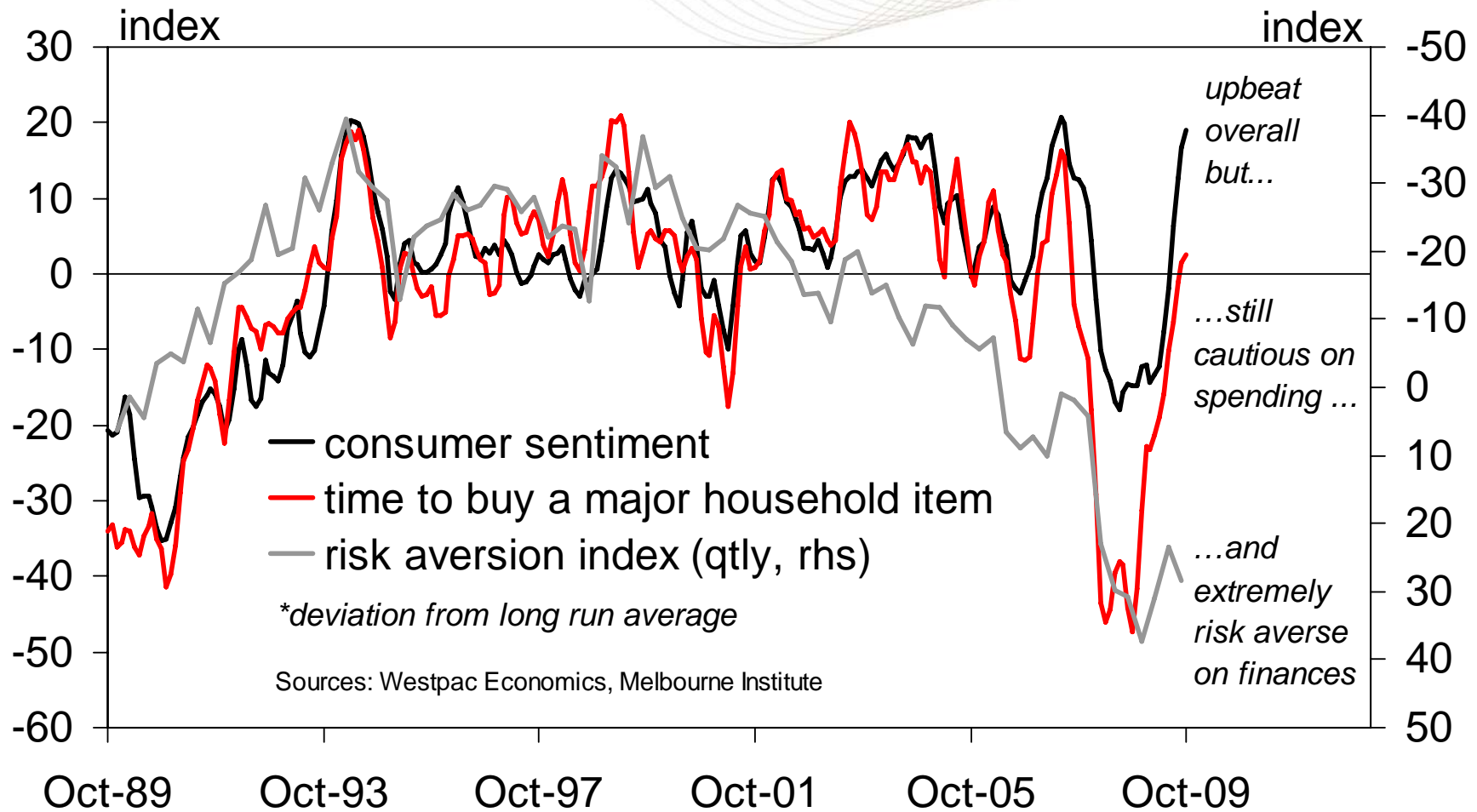
Confidence up sharply but not sustainable



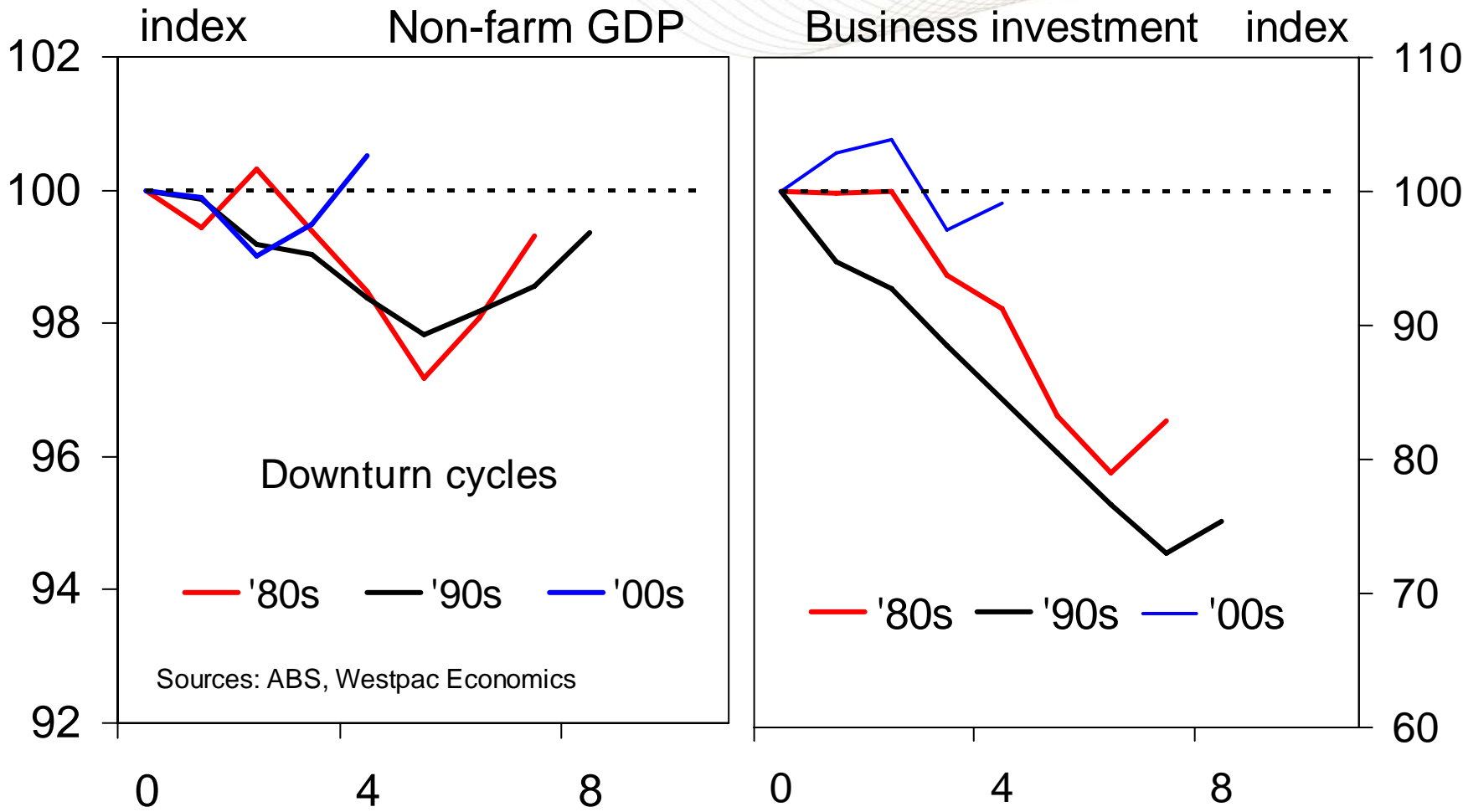
If Confidence holds expect a Consumer Boom



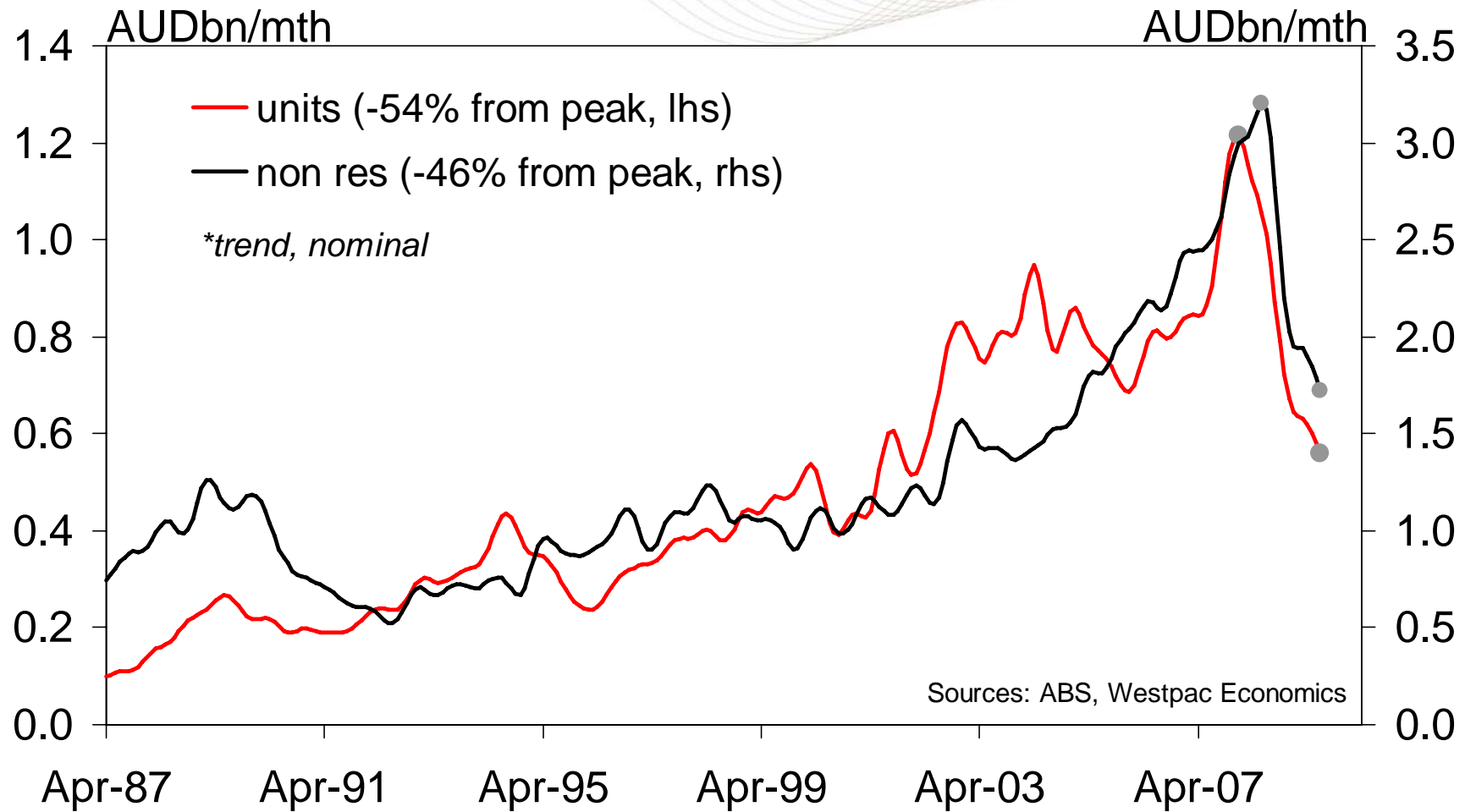
Consumer sentiment: mixed messages



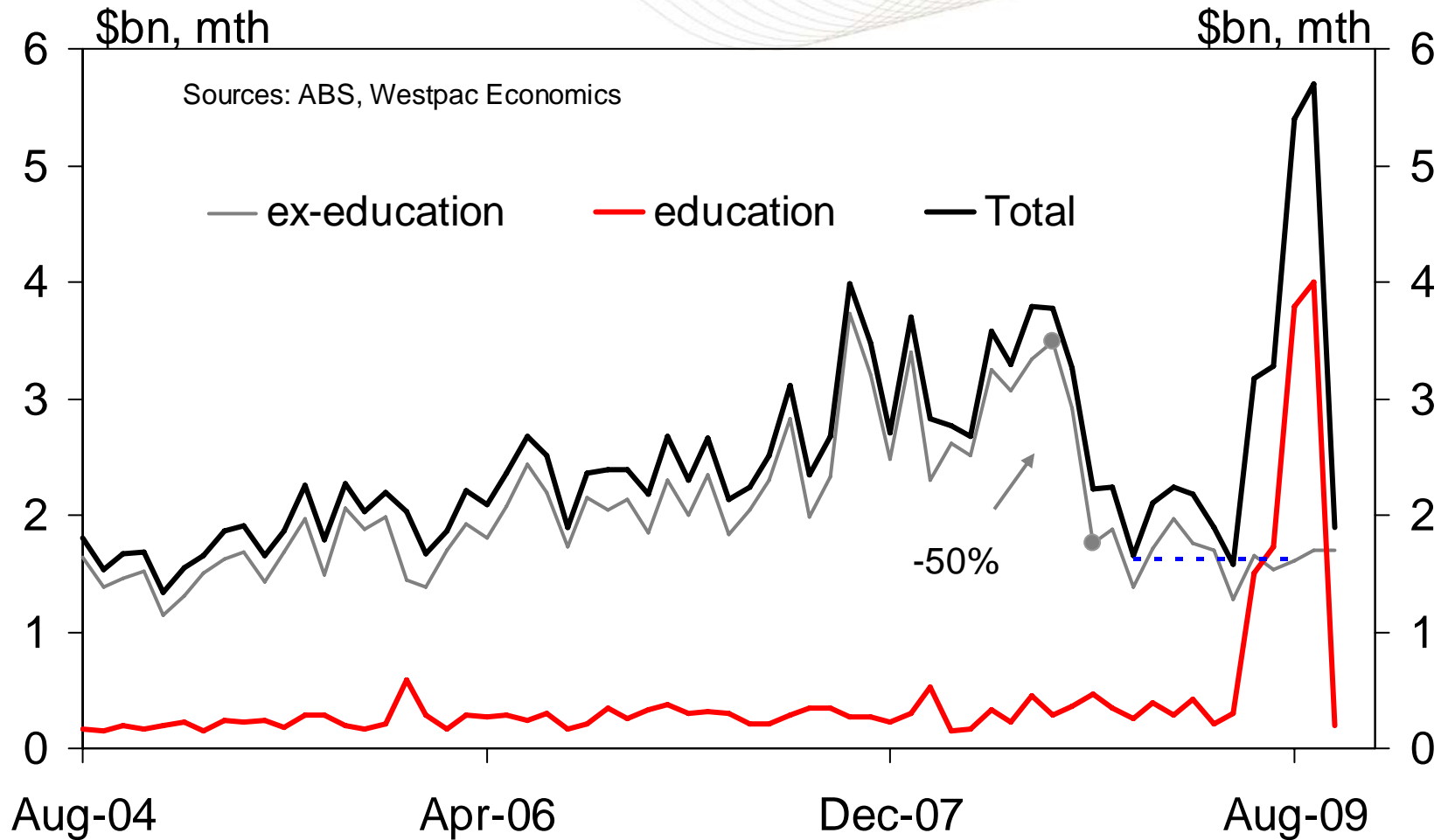
Business investment: resilient so far



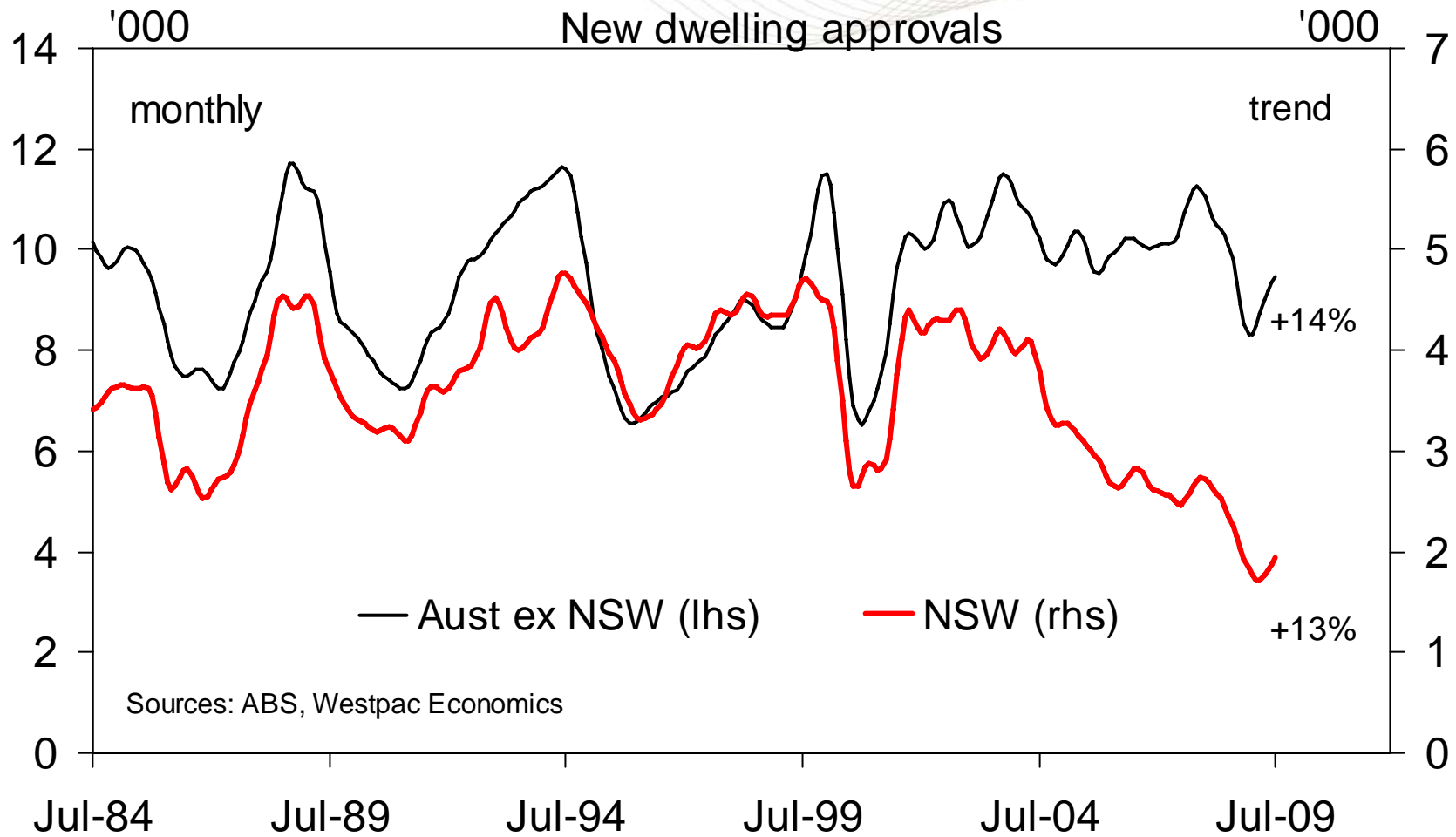
Parts of building sector credit crunch



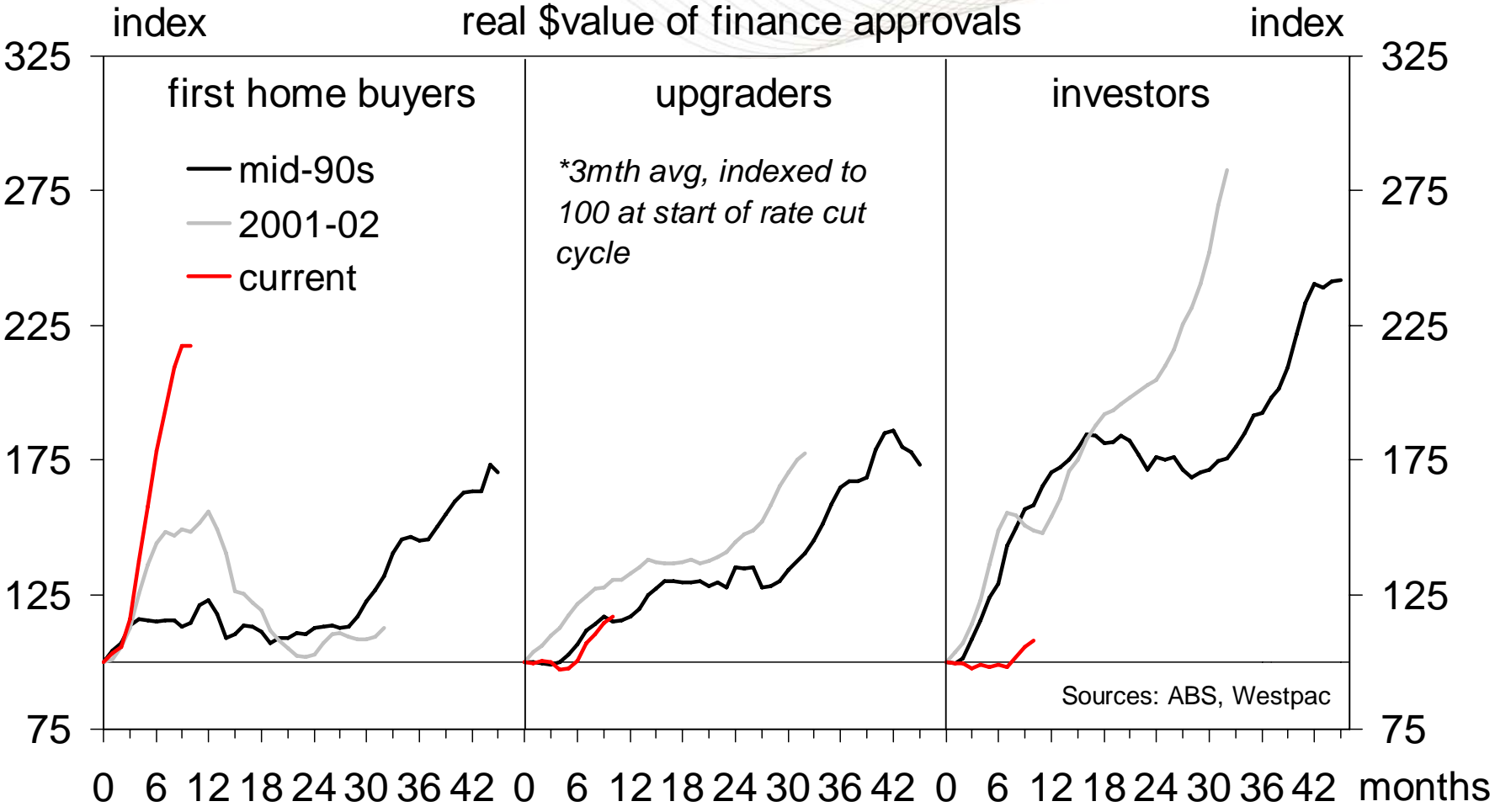
Non-residential building: approvals



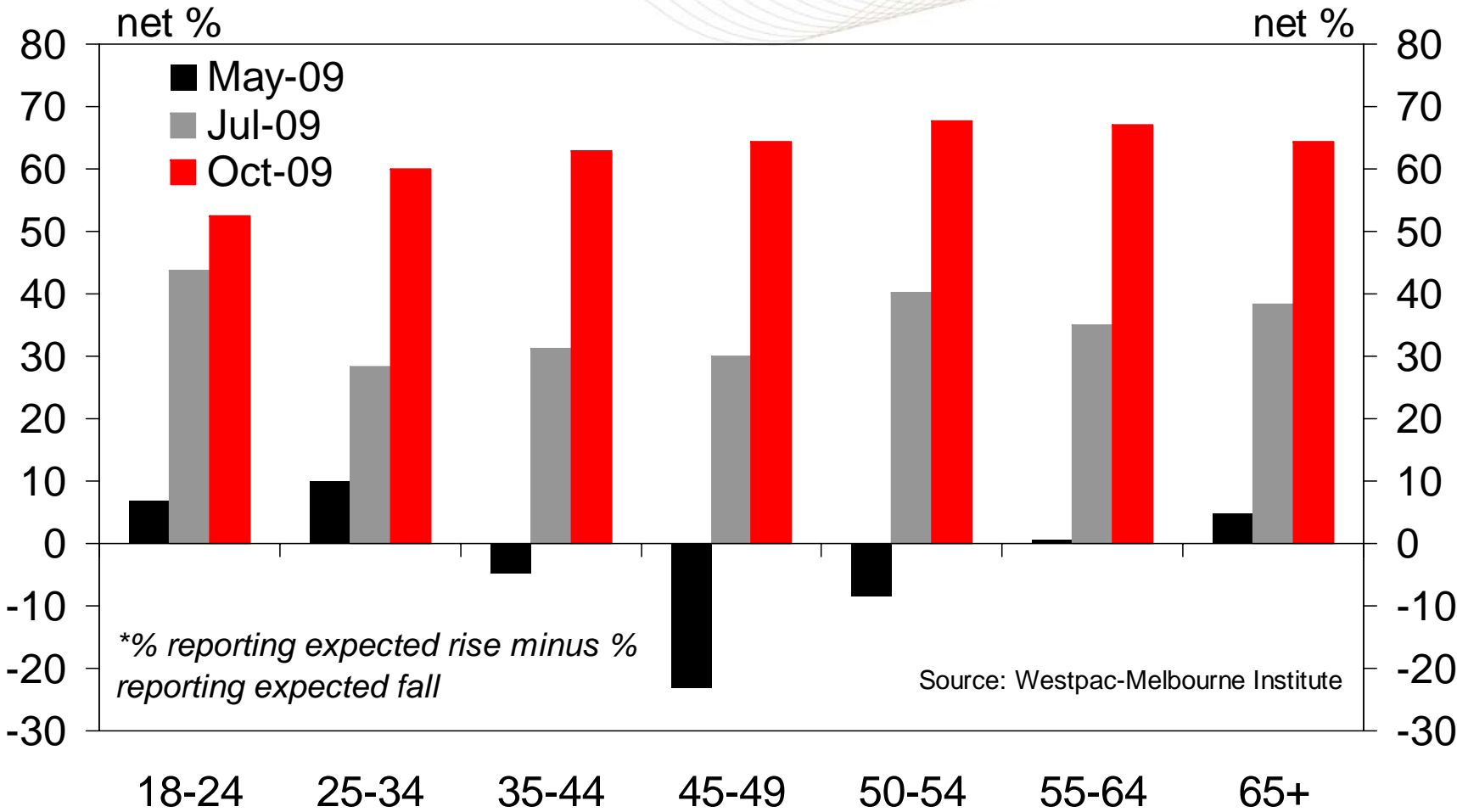
NSW housing: upswing at last



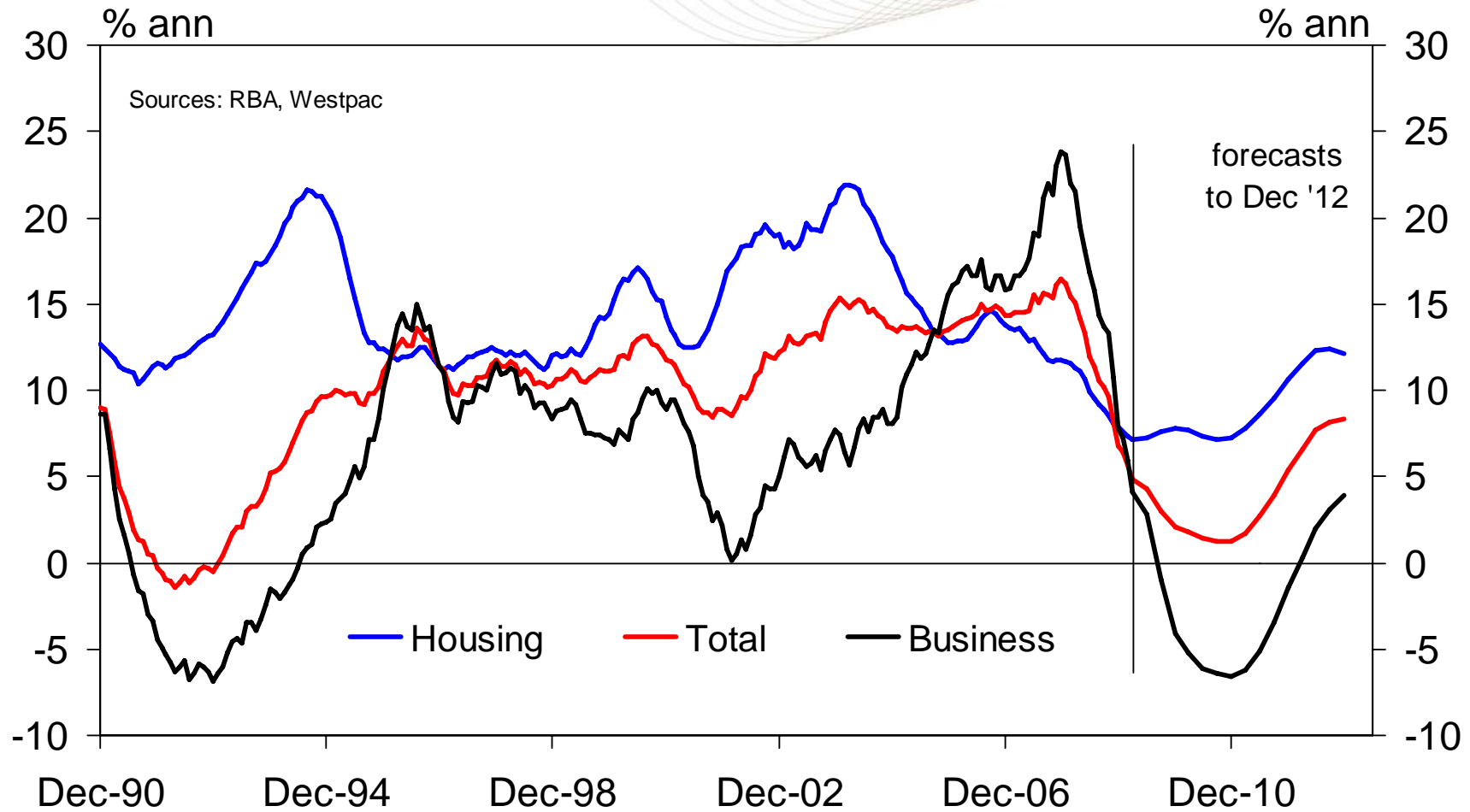
Housing finance upturns: comparison



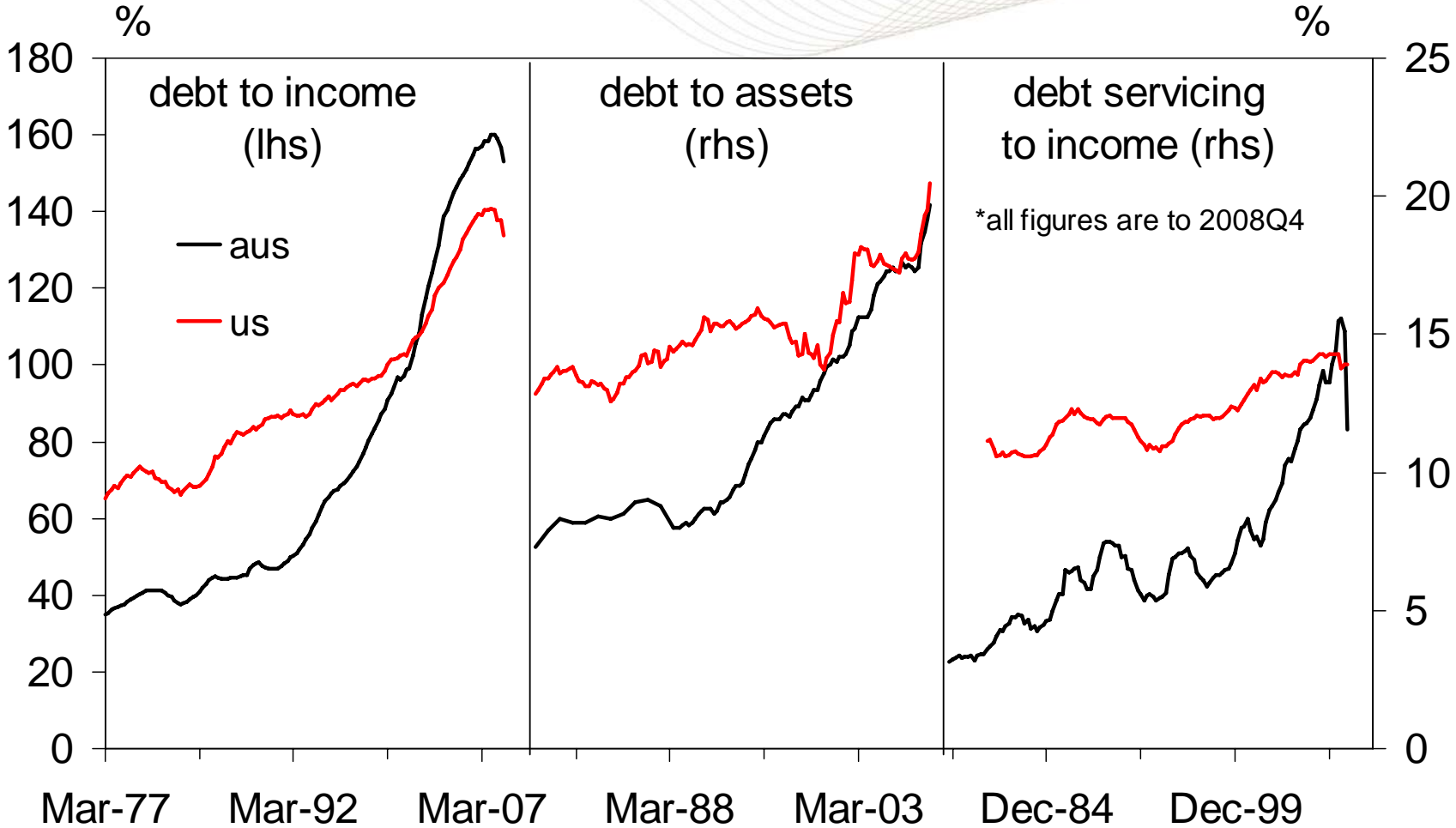
House price expectations by age group



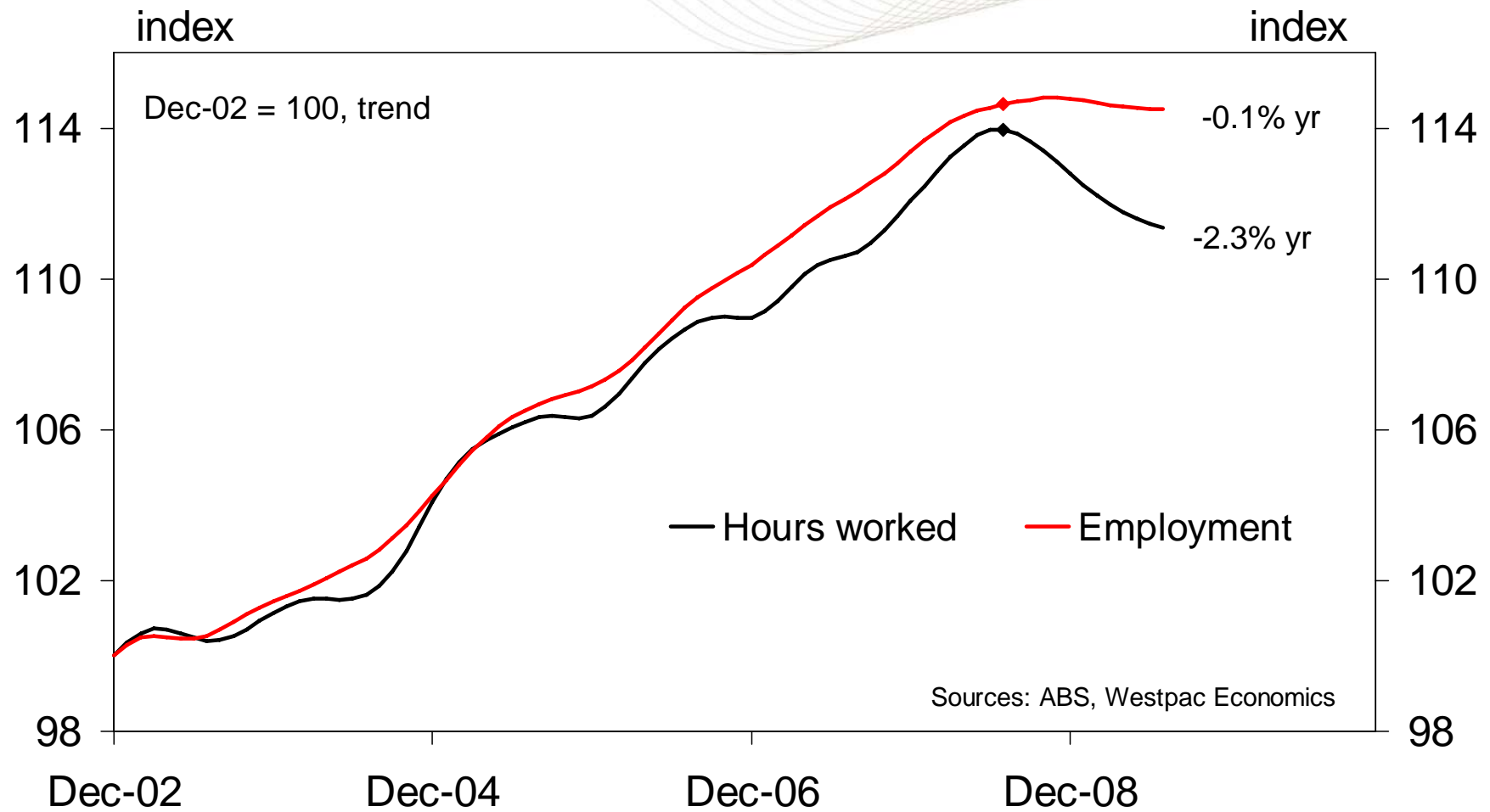
Credit growth- housing solid; not business



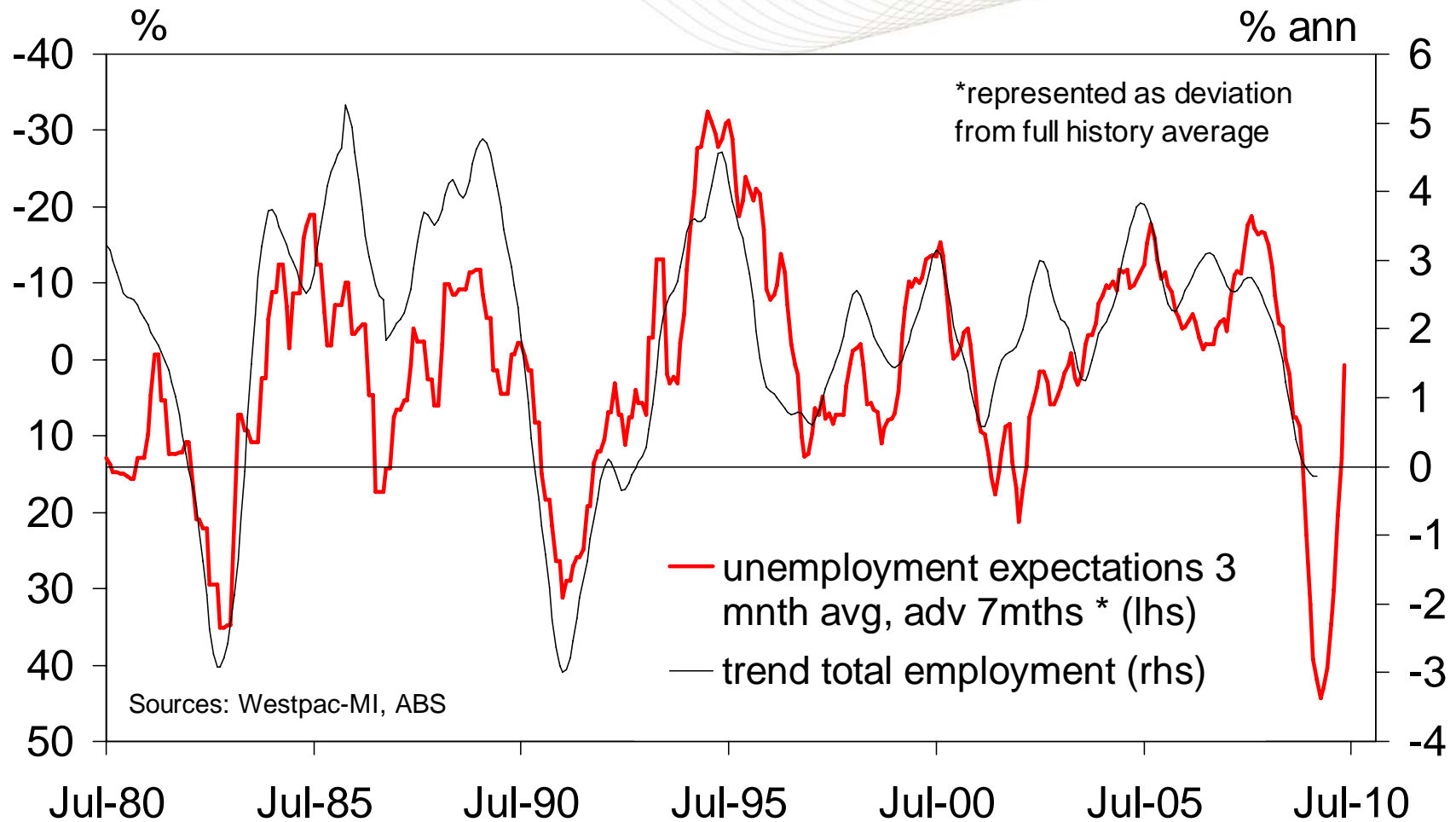
Household leads the world in Australia



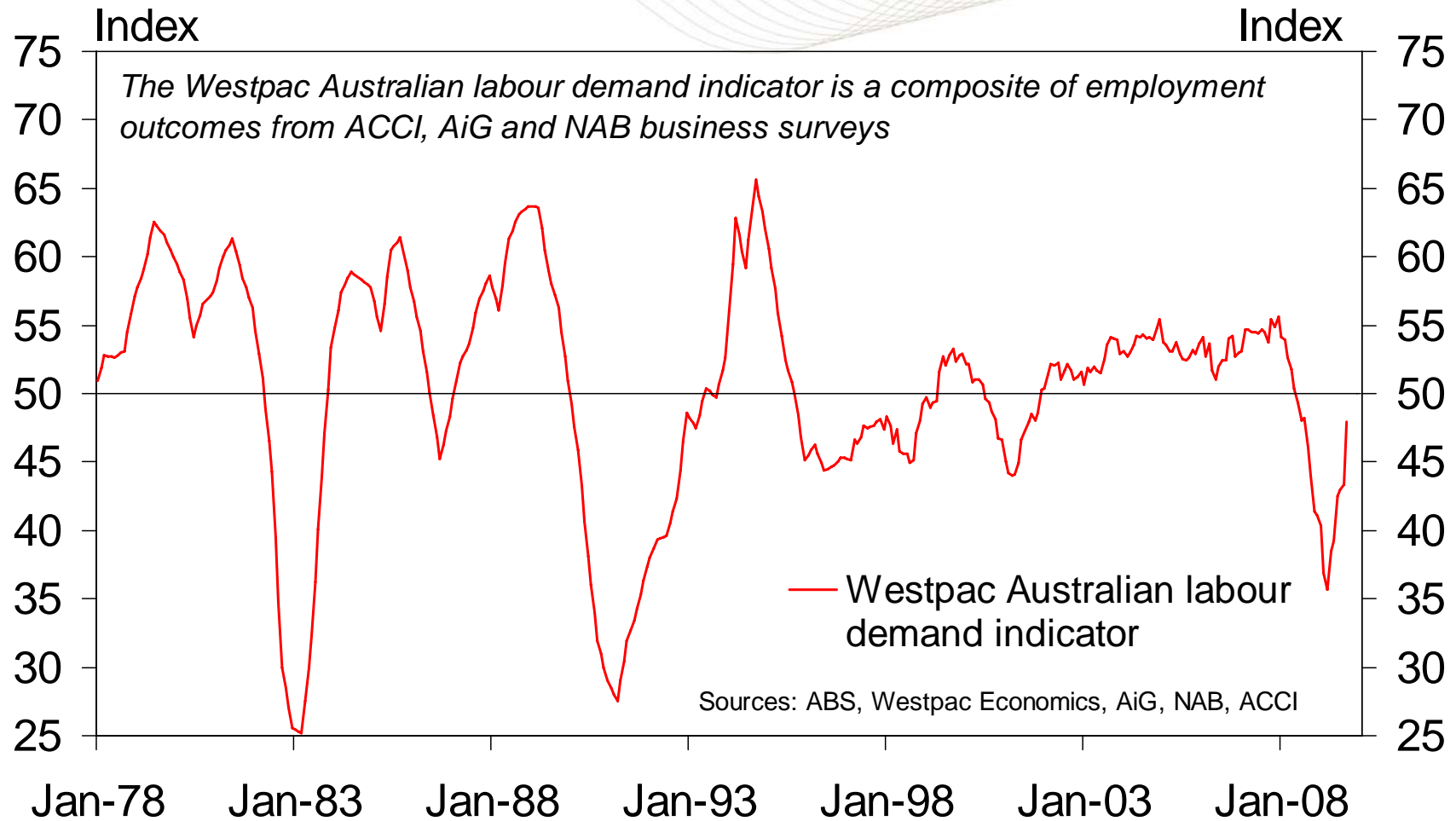
Labour hoarding



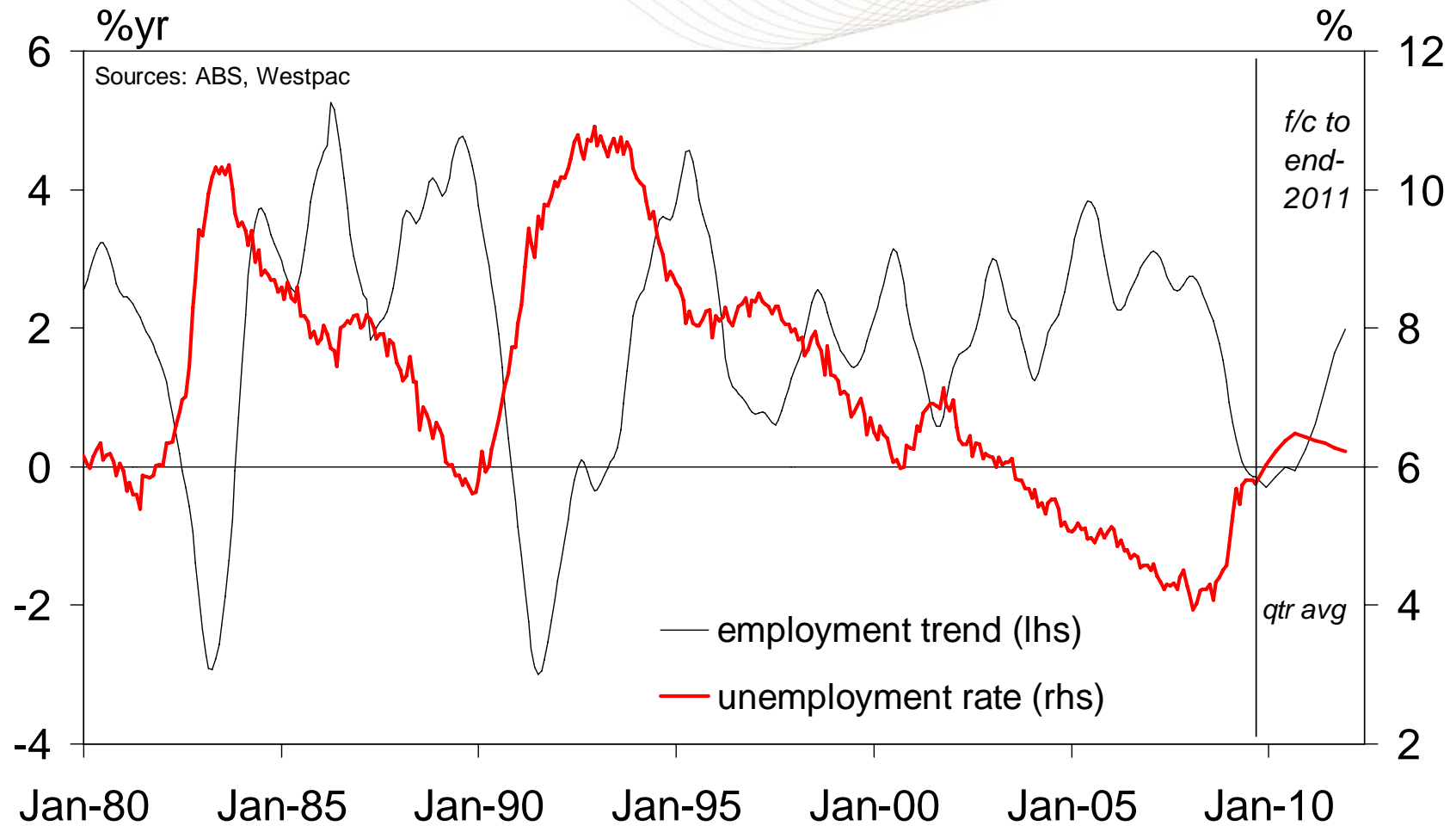
Westpac-MI unemployment expectations



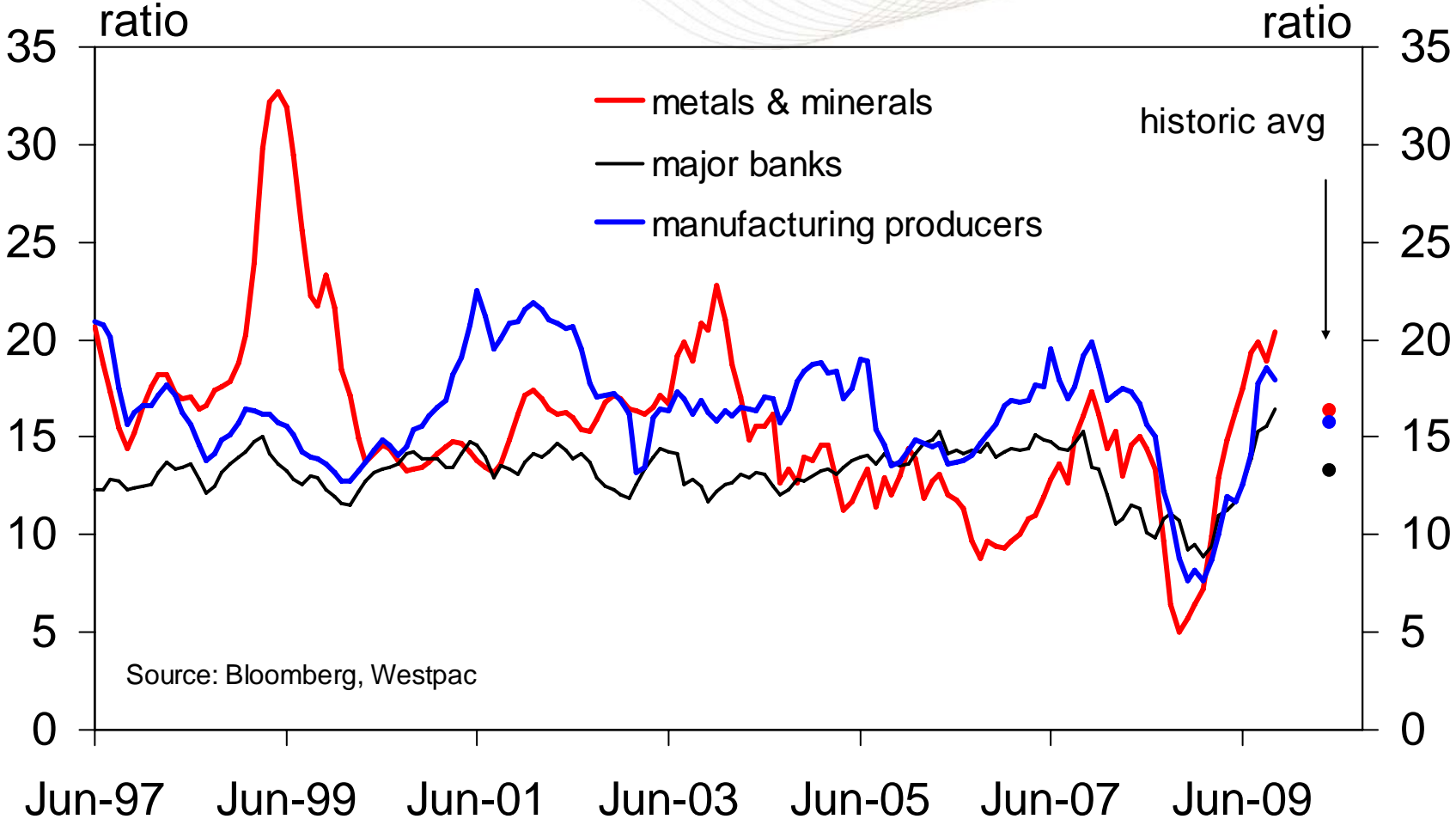
Surveys suggest worst of downturn over



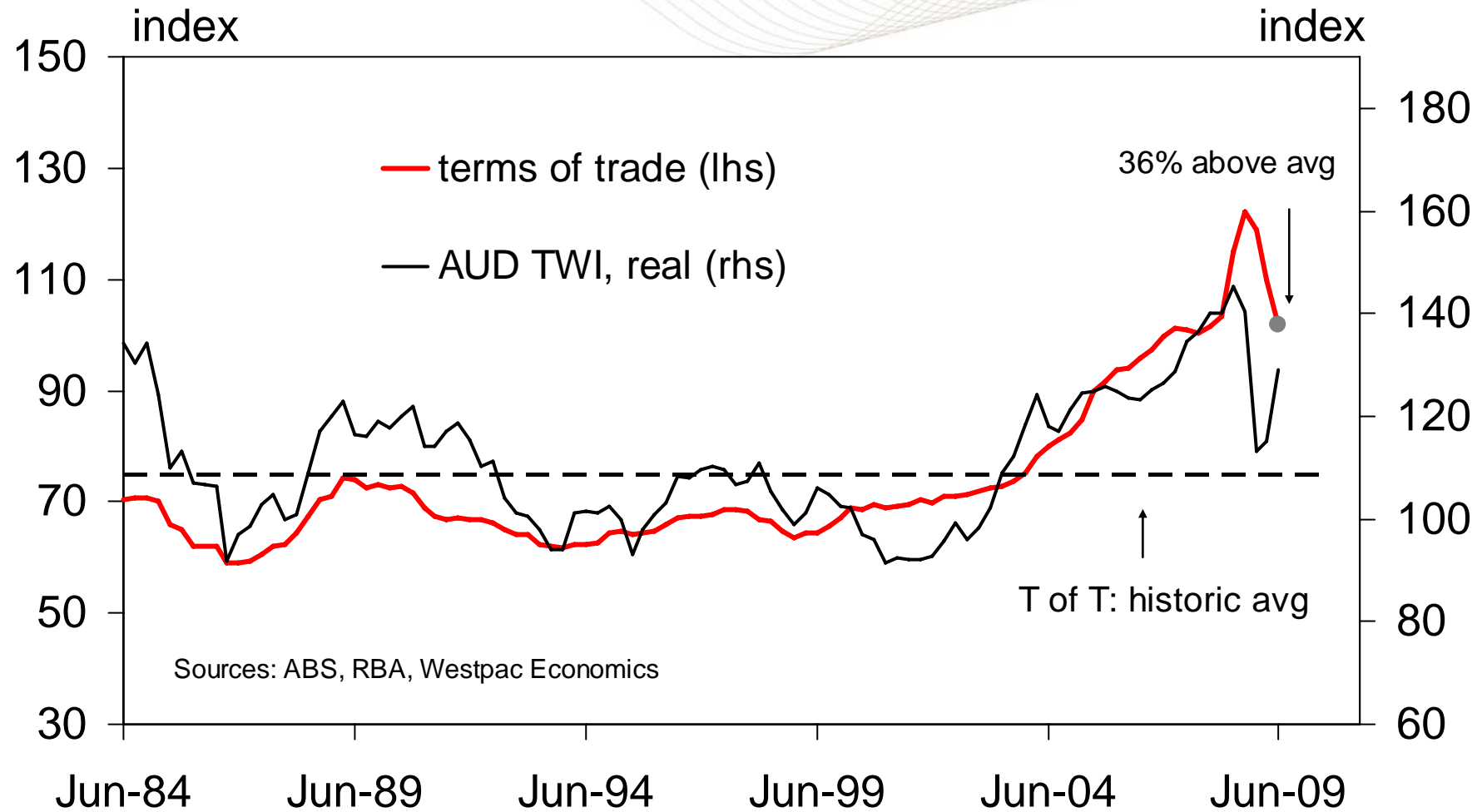
Employment growth & unemployment rate



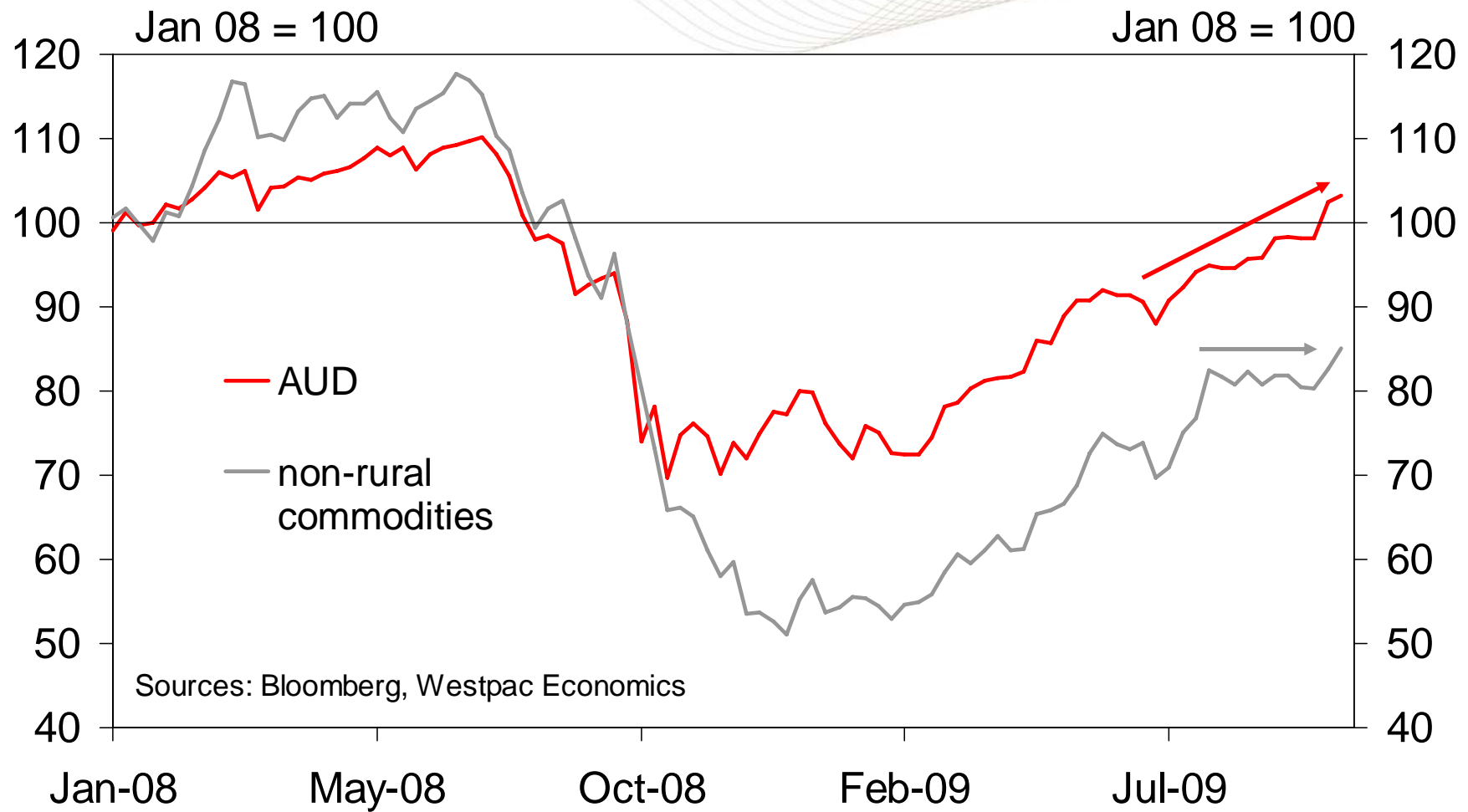
Forward P/E ratio: Australian sectors



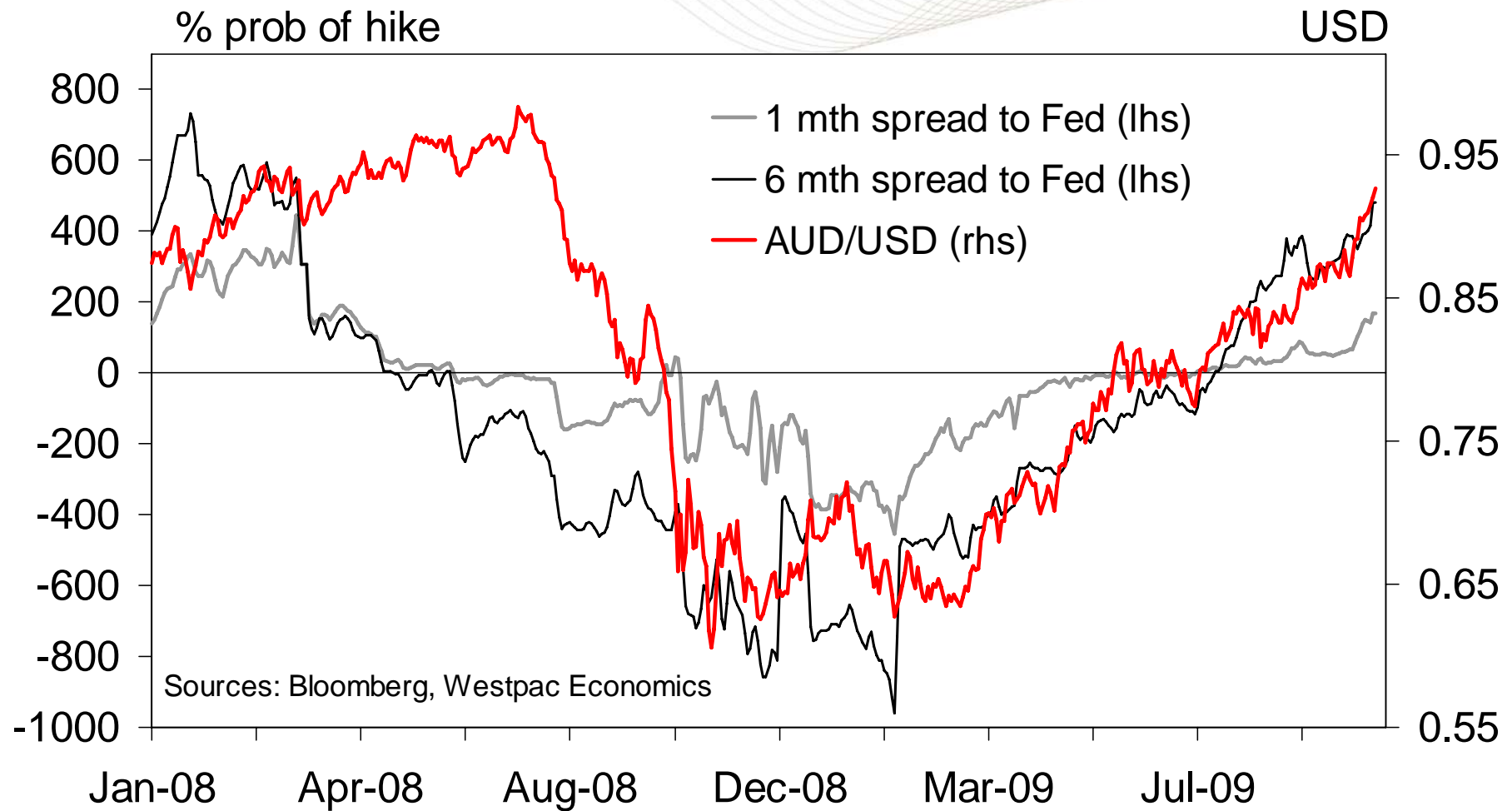
AUD follows terms of trade long term



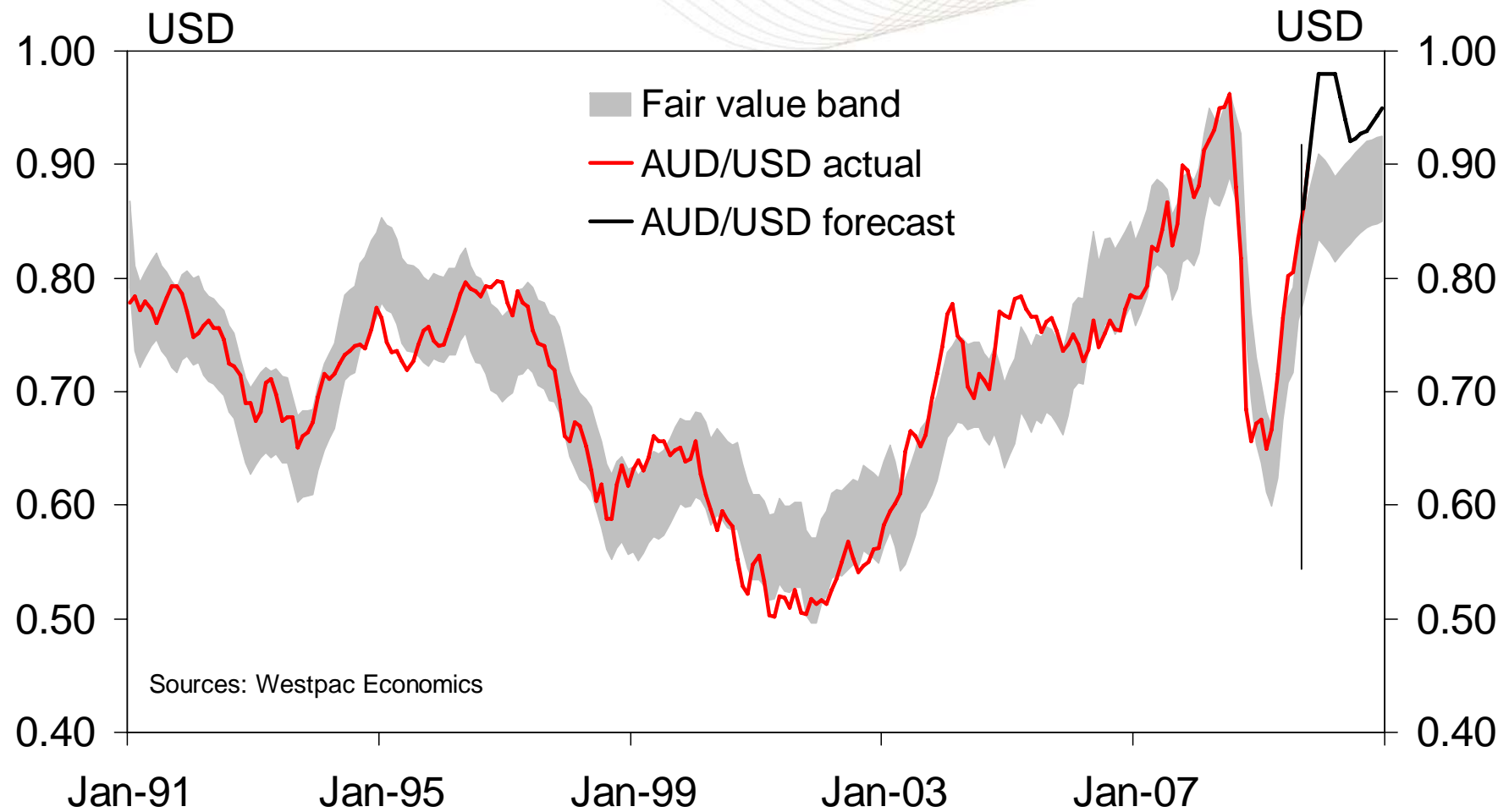
Commodities flat: AUD continues to surge



Interest rate spread drives AUD



The Australian dollar: actual versus fitted



Key Points

- Global recovery in 2010 will be dominated by the developing world.
- Balance sheet concerns; unemployment fears and the shortage of credit will constrain the US consumer risking double dip in 2010.
- China has the capacity to maintain stimulus for years.
- Australia will grow by 4% in 2010 supported by the consumer and housing; mining and equipment investment will be resilient.
- Consumer spending and housing investment will be solid although constrained by uncertainty about employment; rates and US.
- Building approvals are running well short of construction due to shortage of multi unit and investors. Supply constraints remain but demand should recover as investors sense rising prices.
- RBA rate hikes will run well short of market expectations due to sensitivity of economy to cash rates above 4%.
- AUD could reach US90 in 2009 but encounter headwinds when US growth disappoints markets in 2010.

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