

The Year That Was: 2011/12



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Year in review

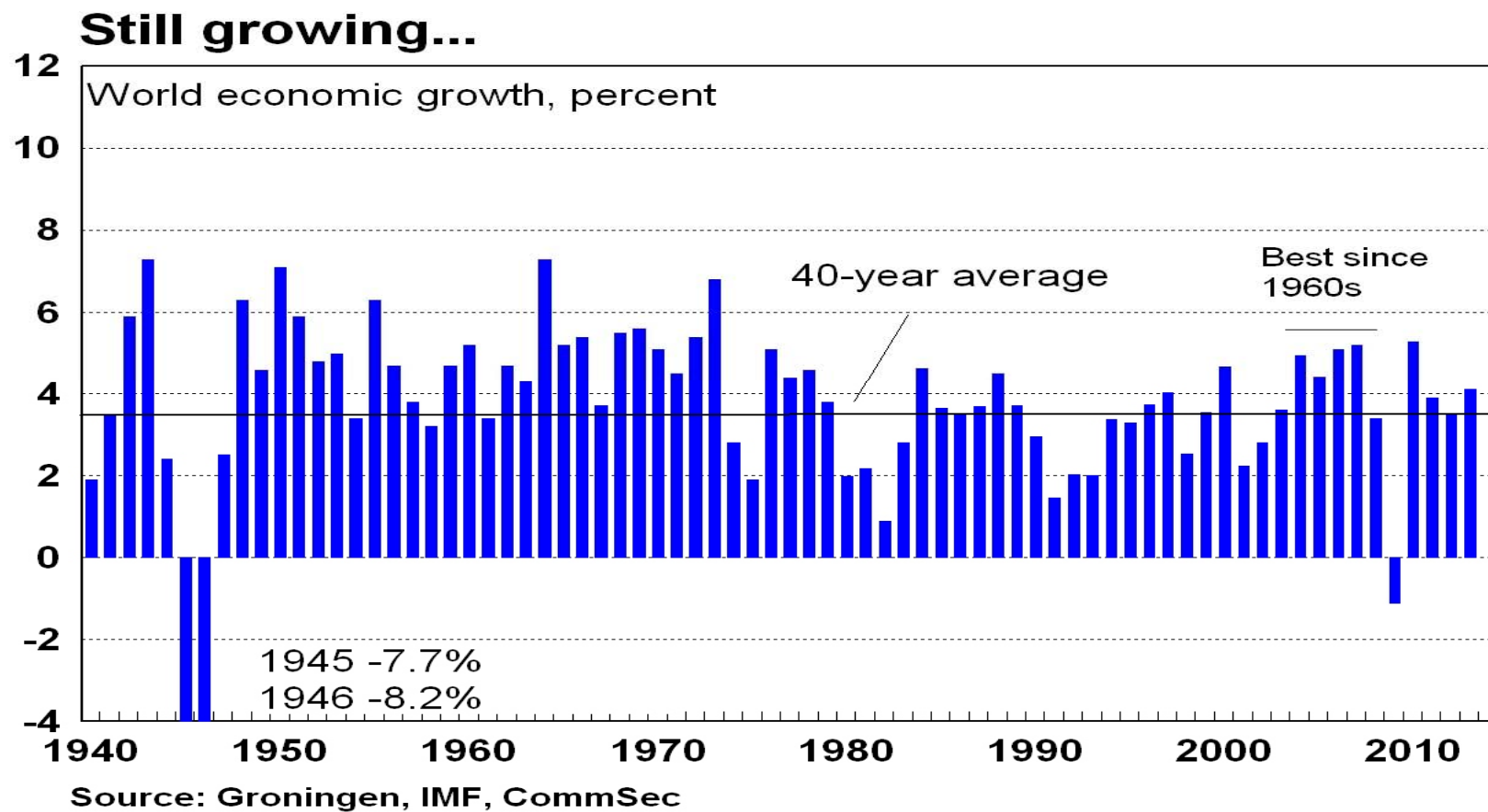
- The European debt crisis dominated attention over the year.
- A good timeline of the crisis: <http://www.bbc.co.uk/news/business-13856580>
- European leaders achieve a 'three-pronged' agreement in October.
- The eurozone agrees to another Greek bailout in March.
- Nicolas Sarkozy lost the French presidency to socialist, Francois Hollande.
- After two attempts, a new coalition government was elected in Greece.
- Spain formally applied for assistance for its banking sector.
- European leaders agreed on a single supervisor for euro zone banks in June.
- The US economic recovery lost momentum.
- China successfully slowed its economy to bring inflation under control.
- The Reserve Bank cut the cash rate from 4.75% to 3.50%.
- Global shares fell 16% between July and October due to the Greek debt crisis.
- The ASX 200 rose 9.4% from January to May and then lost all gains in 17 days.
- The Aussie dollar traded over a US17 cent range.
- Australian 3yr bond yields hit record lows; 10yr yields hit 60 year lows.
- Australia's underlying inflation rate fell to 12-year lows.

Year in review

Key financial indicators 2011/12

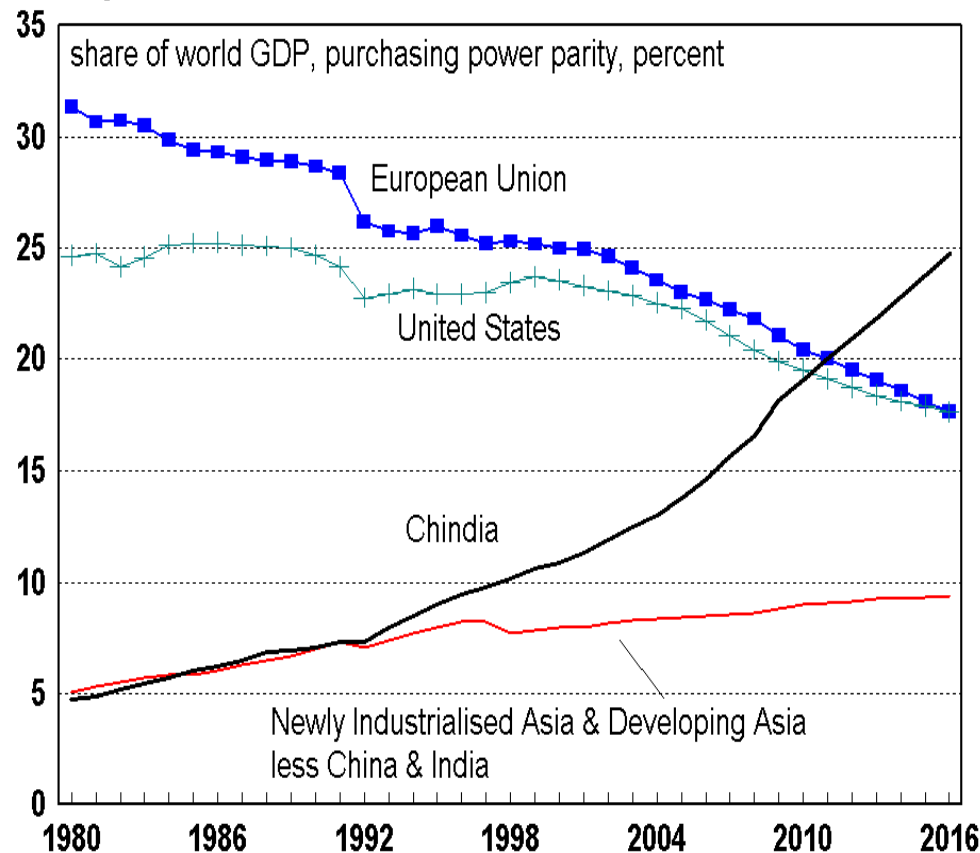
	<i>June 30 2011</i>	<i>High</i>	<i>Low</i>	<i>June 30 2012</i>	<i>% change</i>
ASX 200	4,608	4,612	3,766	4,095	-11.1%
US Dow Jones	12,414	13,338	10,404	12,880	+3.8%
AUD/USD, <i>US cents</i>	107.39	110.80	93.86	101.91	-5.1%
90 day bank bills	5.03%	5.07%	3.27%	3.49%	-
10 year bond yields	5.26%	5.29%	2.80%	3.04%	-
Oil, <i>US\$ per barrel</i>	95.42	109.77	75.67	84.96	-11.0%
Gold, <i>US\$ per ounce</i>	1502.80	1920.30	1482.60	1604.20	+6.7%

Global economy



Global perspective

Importance of China & India



Source: IMF, CommSec

Drivers of world economy - Contribution to growth 2012

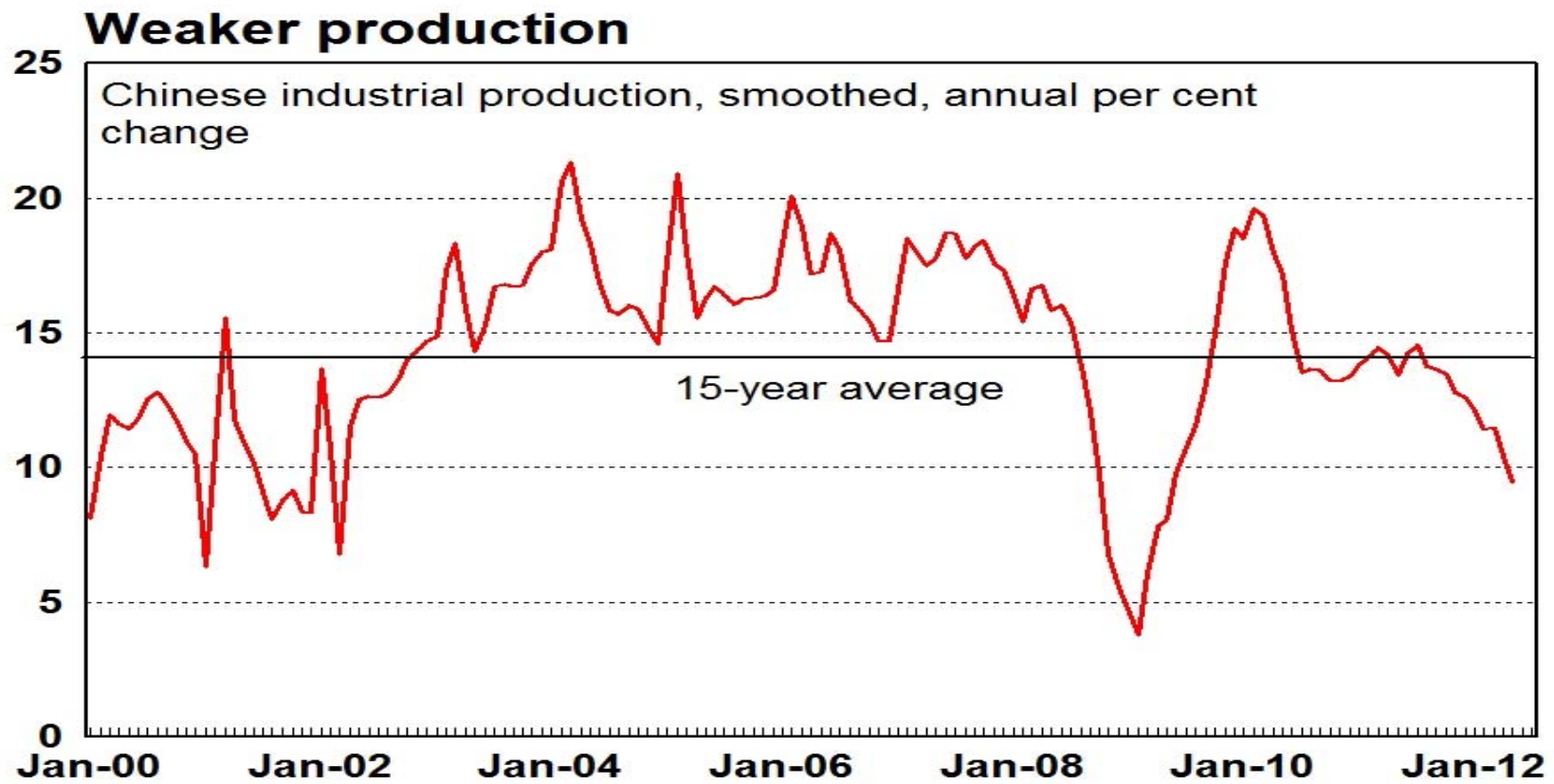
China	0.92%
United States	0.46%
India	0.17%
Japan	0.17%
ASEAN 5 #	0.12%
Newly Industrialised Asia*	0.11%
Russia	0.11%
Brazil	0.10%
Indonesia	0.08%
Australia	0.07%
Mexico	0.06%
South Korea	0.06%
Other countries	1.20%
World	3.50%

Source: IMF & CommSec

* Newly industrialised Asia – Hong Kong, Taiwan, Singapore and South Korea

ASEAN 5 – Indonesia, Malaysia, Thailand, Philippines and Vietnam

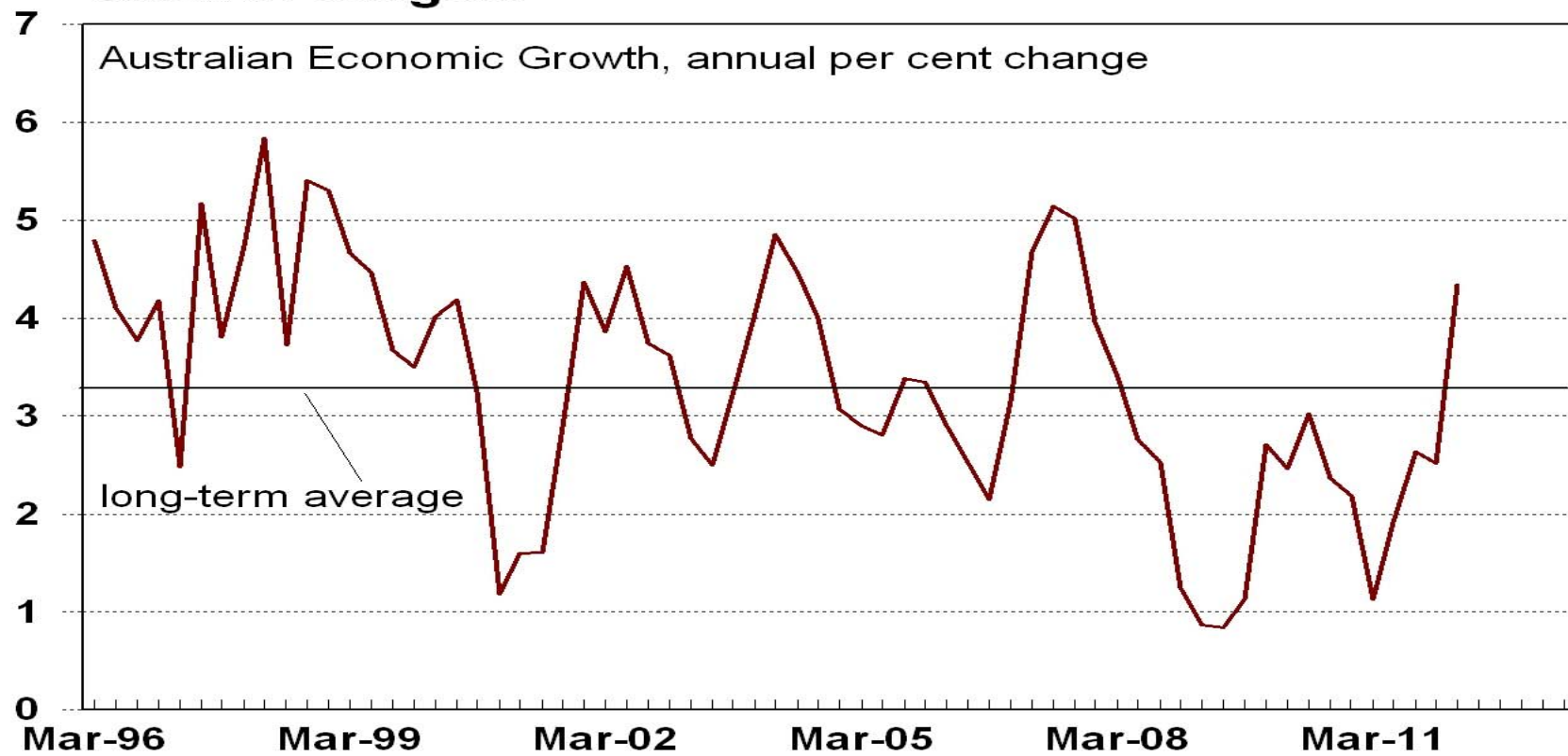
Chinese slowdown



Source: Reuters, CommSec

Australia

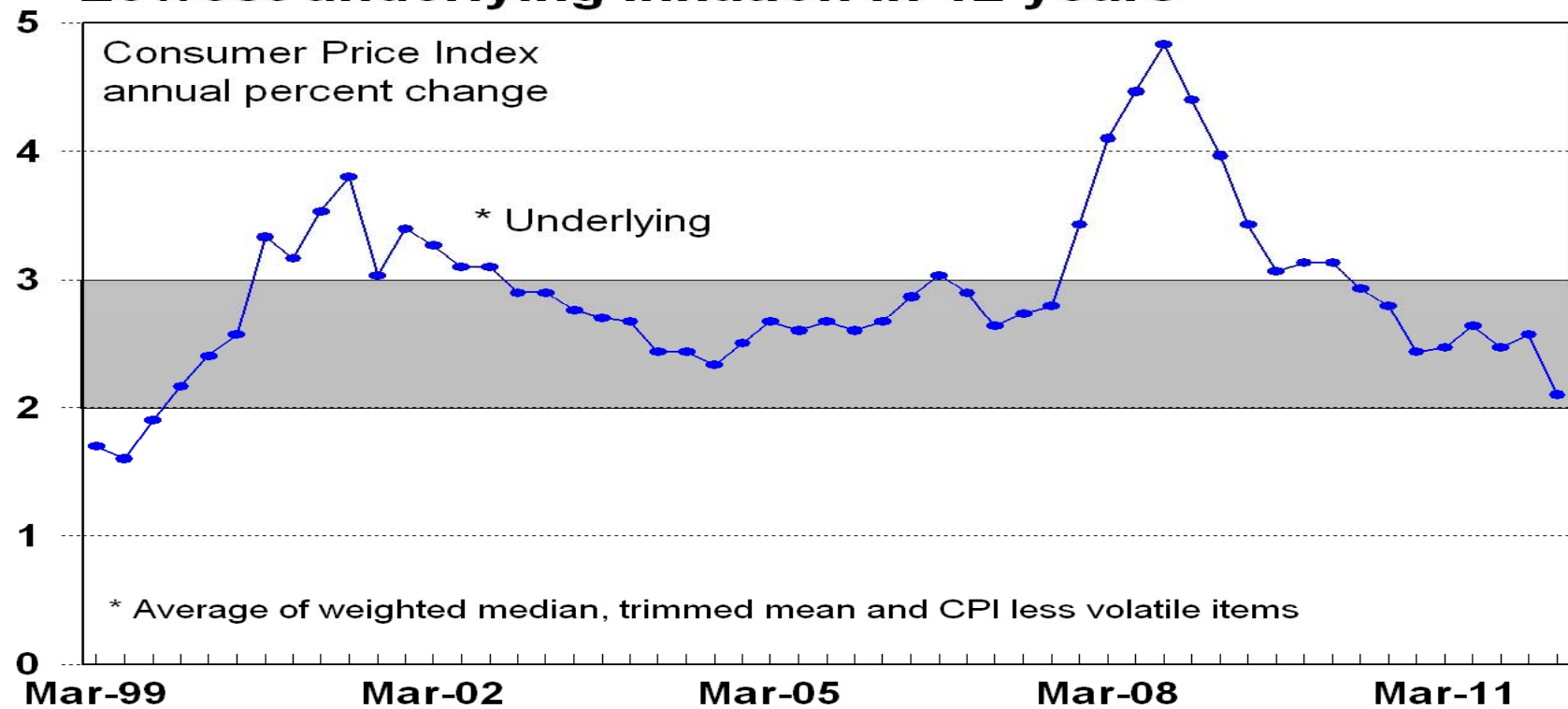
Growth surge...



Source: ABS, CommSec

Inflation

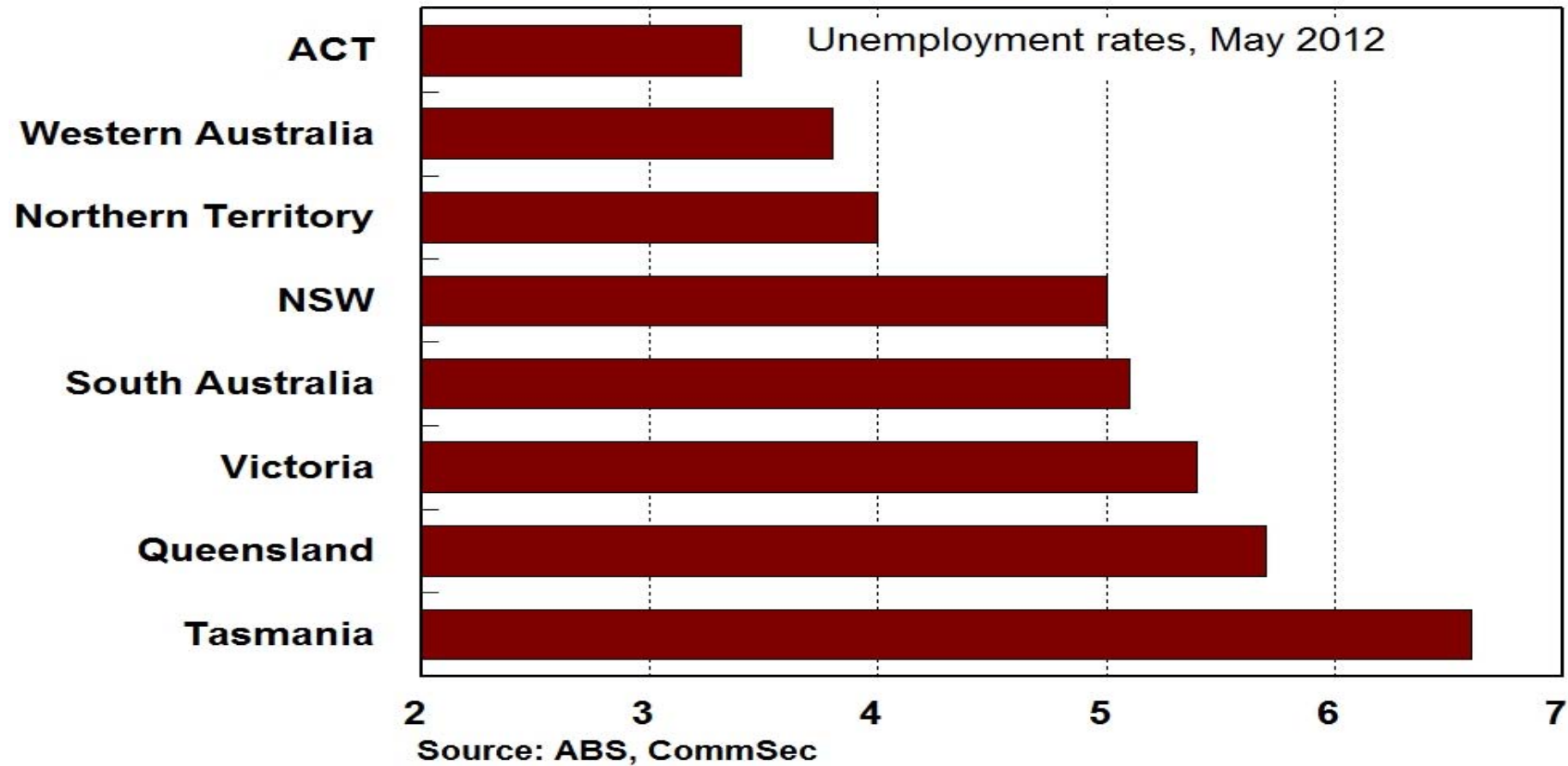
Lowest underlying inflation in 12 years



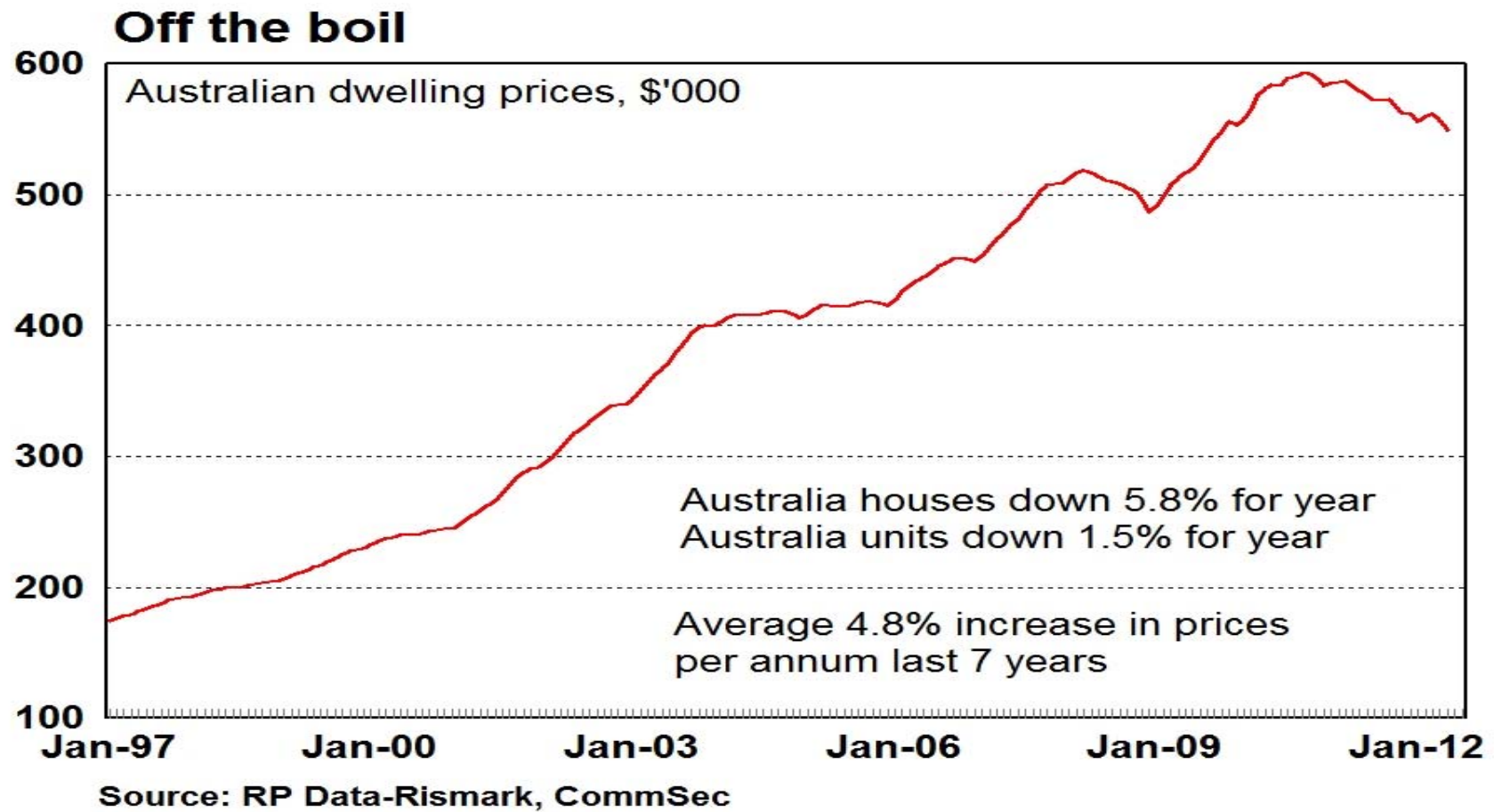
Source: ABS, CommSec

Job market

State of the Job Market



Home prices



Global sharemarkets

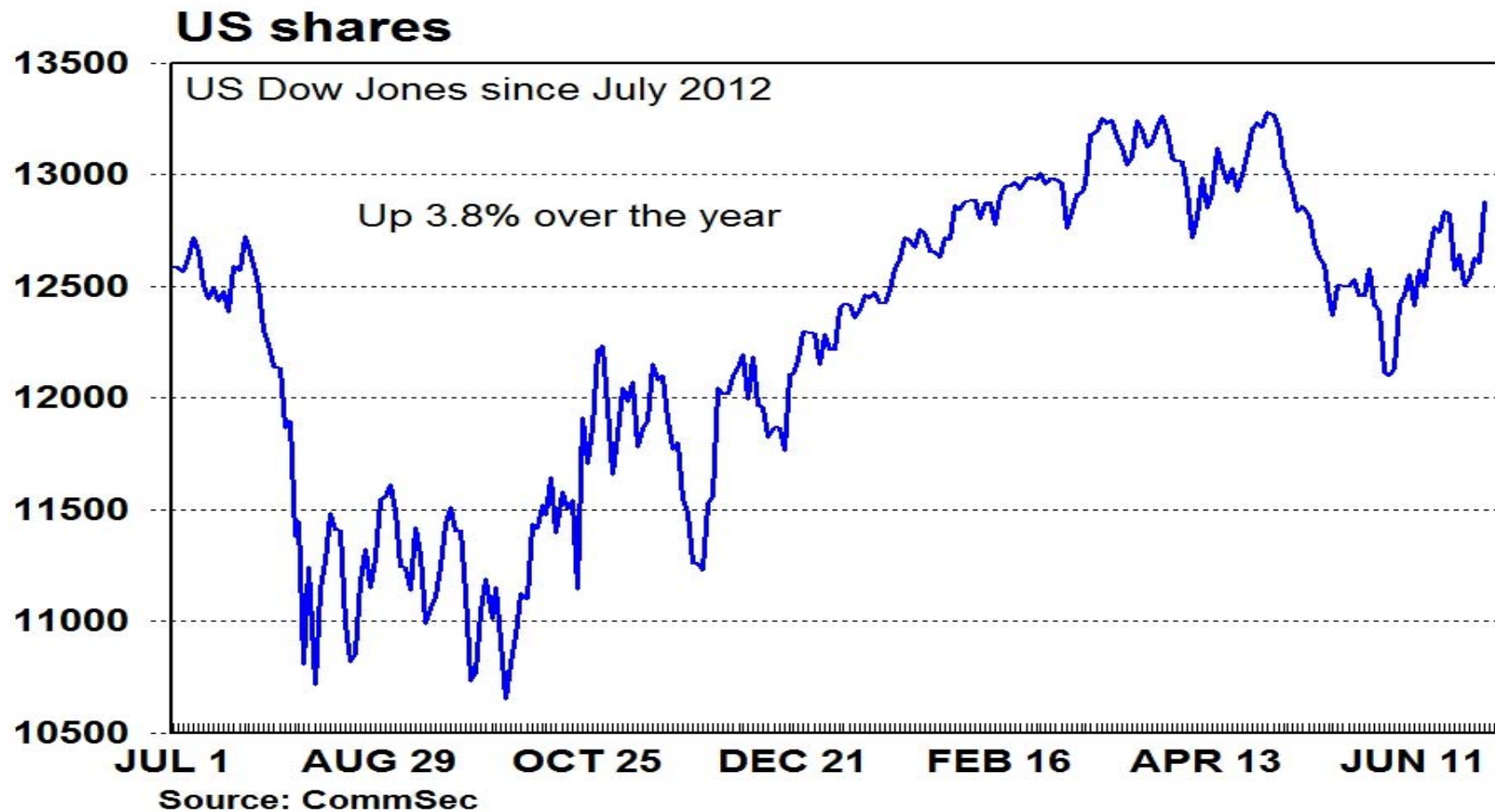
Top markets 2011/12

	<i>% change</i>
Venezuela	213.2
Philippines	22.3
Tunisia	16.0
Thailand	12.5
Pakistan	10.4

Bottom markets 2011/12

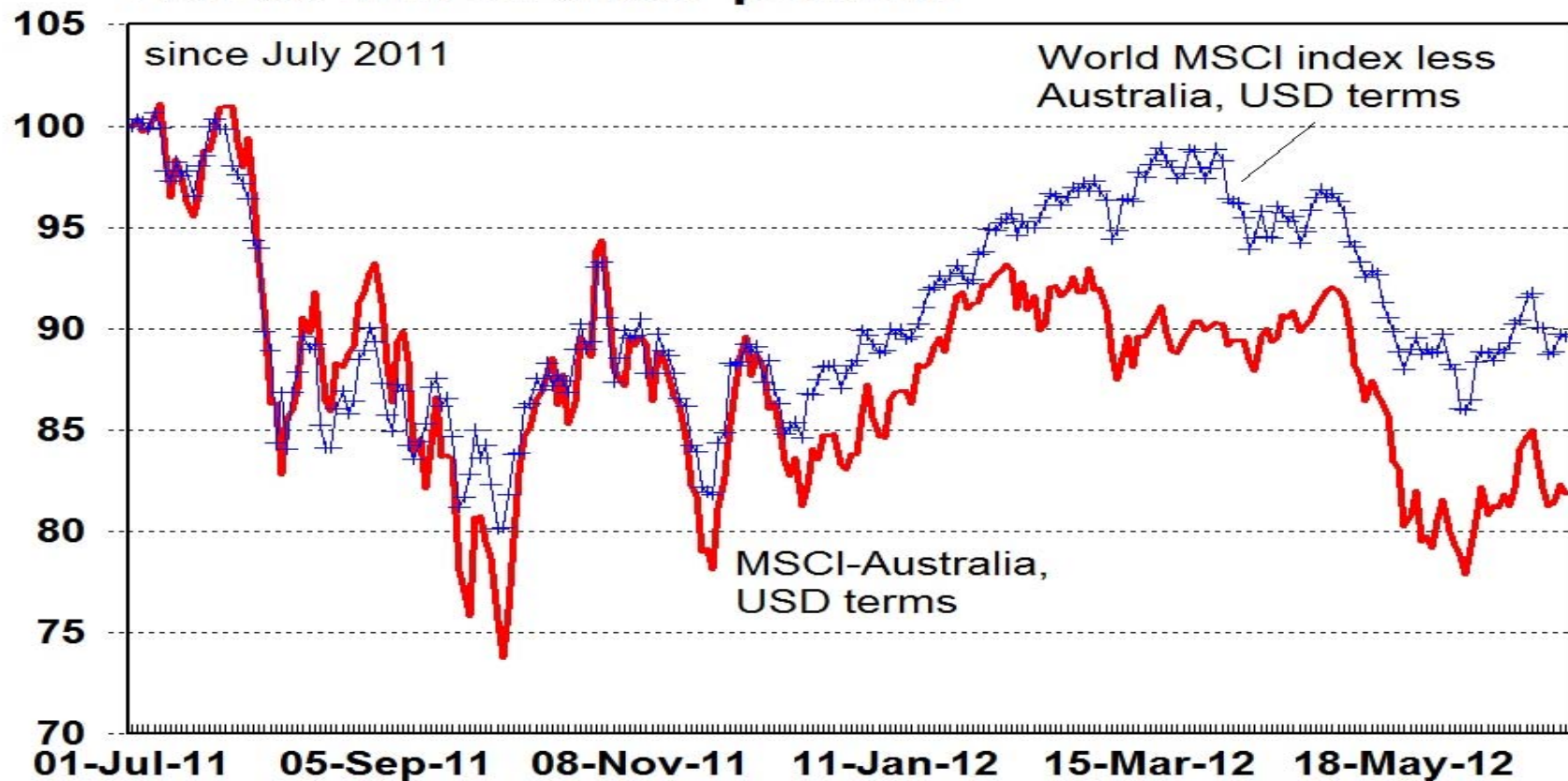
	<i>% change</i>
Cyprus	-80.2
Ukraine	-59.5
Greece	-52.2
Portugal	-35.9
Spain	-31.4

US sharemarket



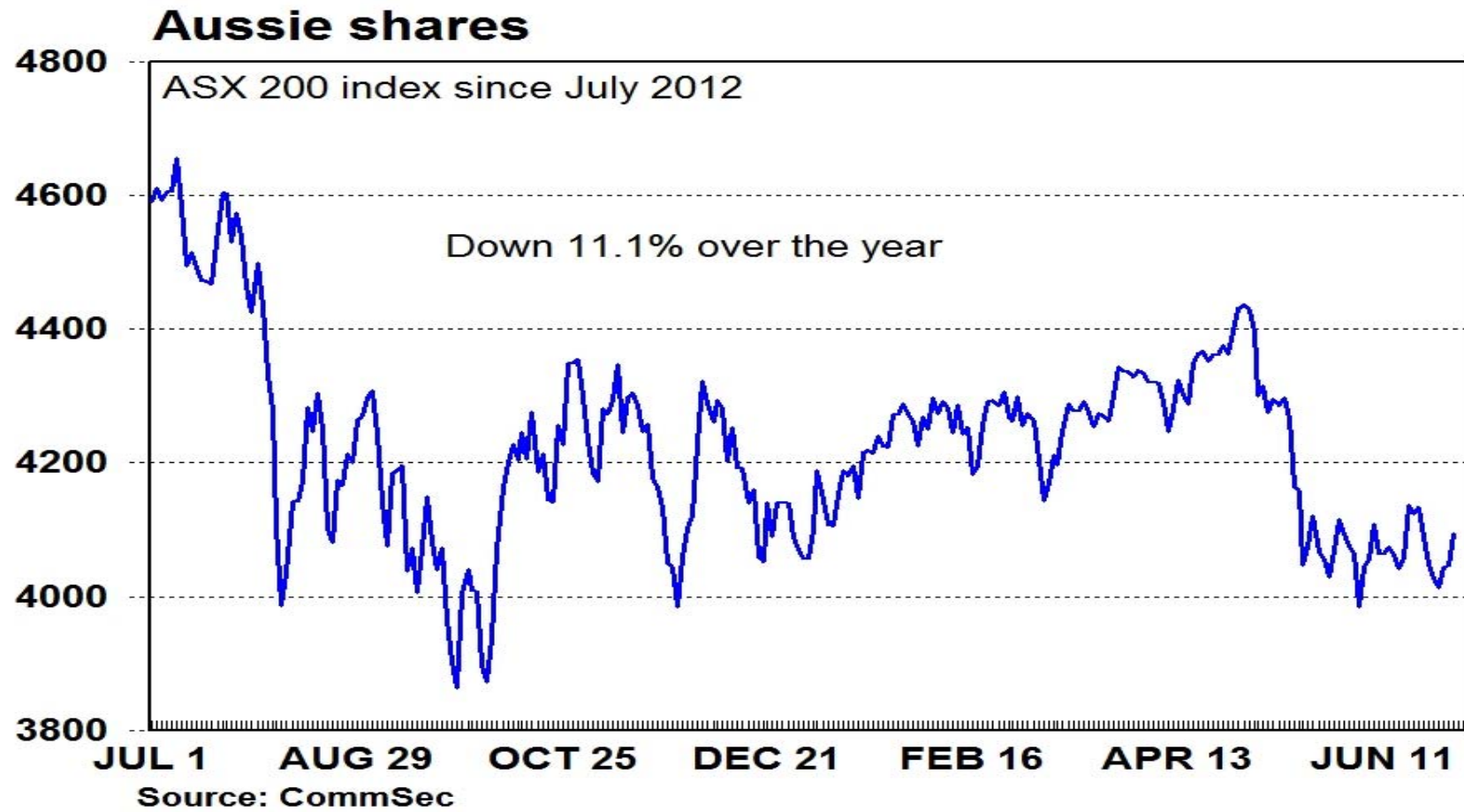
Sharemarket comparisons

Aussie shares under-perform

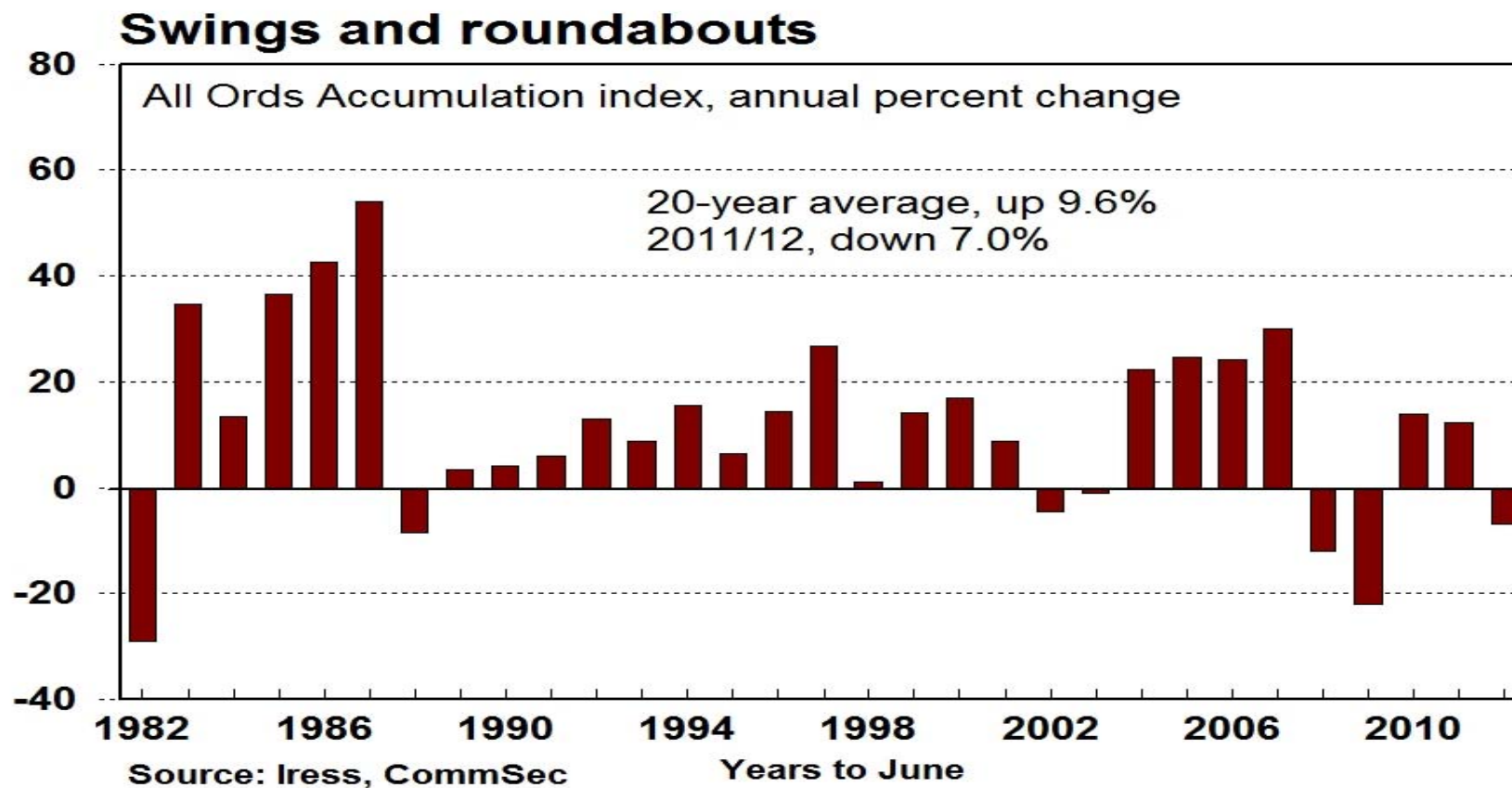


Source: Iress, CommSec

Australian sharemarket



Australian share returns



Australian industry sectors

AUSTRALIAN INDUSTRY GROUPS

percent change 2011/12

Telecommunication services	27.3	Food & drug retailing	-5.4
Food beverage & tobacco	15.3	Commercial & profess. services	-10.0
Pharmaceuticals & biotech	15.1	S&P/ASX 200	-11.1
Utilities	10.3	Software & services	-11.4
Auto & components	3.6	Insurance	-14.1
Real Estate	2.2	Diversified financials	-14.8
Consumer services	1.5	Capital goods	-17.8
Health Care	0.2	Energy	-21.1
Transportation	-2.6	Materials	-29.7
Banks	-2.8	Retailing	-32.9
Media	-4.8	Consumer durables & apparel	-55.0

Source: Iress, CommSec

Australian industry sectors

WINNERS AND LOSERS

Sector movements, since 1985/86

Yrs to June	<i>Best growth</i>	<i>Worst growth</i>
1986	Automobiles & Components	Hotels, rest & leisure
1987	Media	Automobiles & Components
1988	Food & staples	Hotels, rest & leisure
1989	Consumer services	Insurance
1990	Capital goods	Media
1991	Automobiles & Components	Retailing
1992	Media	Insurance
1993	Media	Commercial services
1994	Transport	Automobiles & Components
1995	Media	Health care equipment
1996	Pharmaceuticals & biotech	Transport
1997	Transport	Media
1998	Media	Hotels, rest & leisure
1999	Technology hardware	Insurance
2000	Technology hardware	Capital goods
2001	Health care equipment	Technology hardware
2002	Food & staples	Technology hardware
2003	Utilities	Technology hardware
2004	Software services	Technology hardware
2005	Energy	Automobiles & Components
2006	Pharmaceuticals & biotech	Automobiles & Components
2007	Pharmaceuticals & biotech	Technology hardware
2008	Energy	Technology hardware
2009	Retailing	Capital goods
2010	Automobiles & Components	Telecommunications
2011	Automobiles & Components	Consumer durables & apparel
2012	Telecommunications	Consumer durables & apparel

Source: CommSec

Australian stocks

Best & Worst Sharemarket Returns ASX 200, 2011/12, per cent

<i>Best</i>	
Buru Energy	379.39
Senex Energy	105.13
Regis Resources	57.66
Hastings Diversified Utilities	51.90
Cardno Limited	43.45
Silver Lake Resources	40.50
Virgin Australia	39.29
James Hardie-CDI	35.84
Telecom NZ	33.04
News Corp-CDI B	32.39
<i>Worst</i>	
Aquarius Platinum	-85.11
Mirabela Nickel	-84.45
Billabong	-77.52
Linc Energy	-75.96
Bluescope Steel	-70.61
Coalspur Mines	-65.90
Panoramic Resources	-65.14
Intrepid Mines	-63.73
Gryphon Resources	-62.93
Alumina Ltd	-62.56

Source: Bloomberg, CommSec

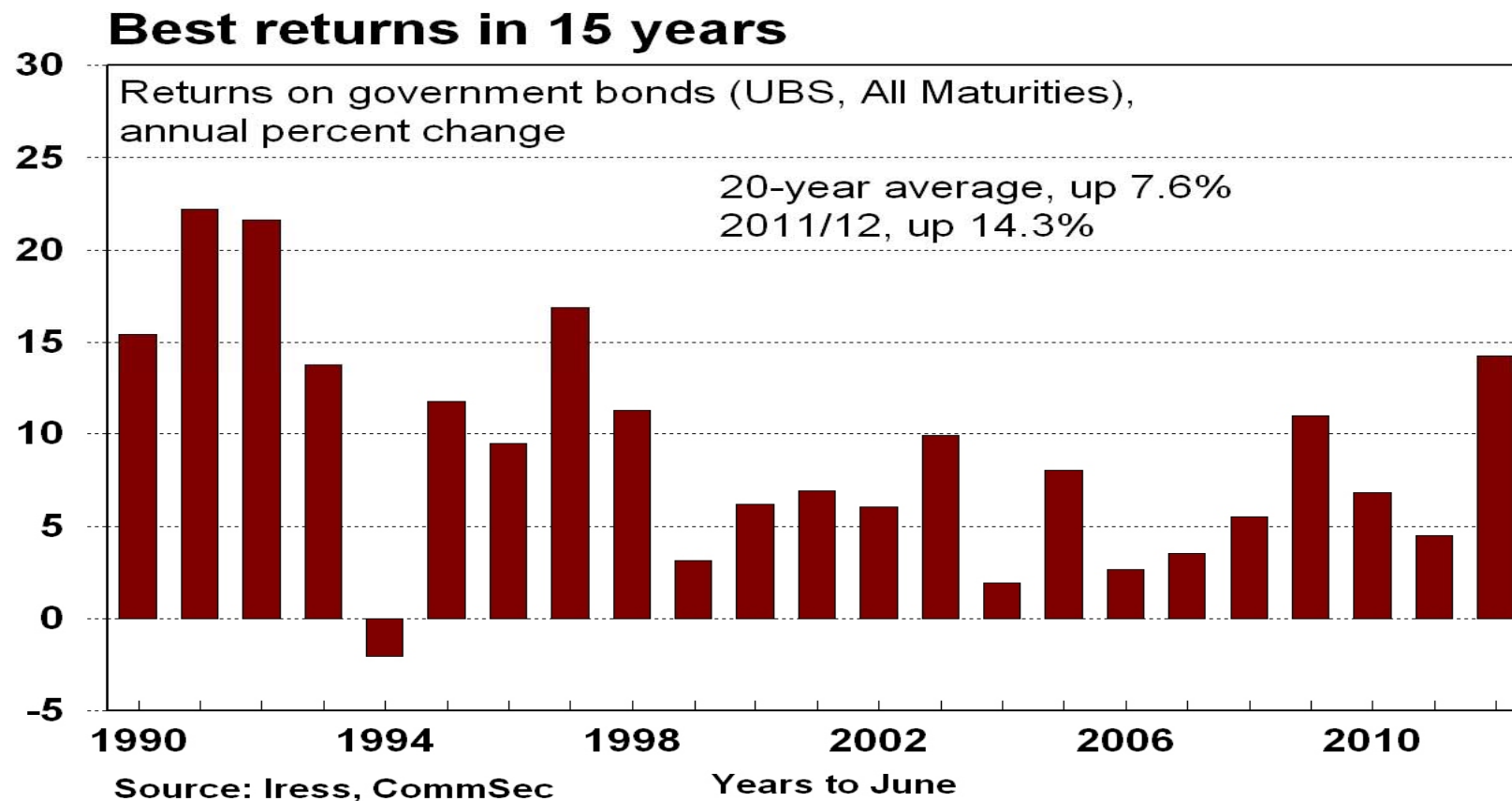
Australian stocks

PERFORMANCE OF BIGGEST 20 STOCKS in 2011/12

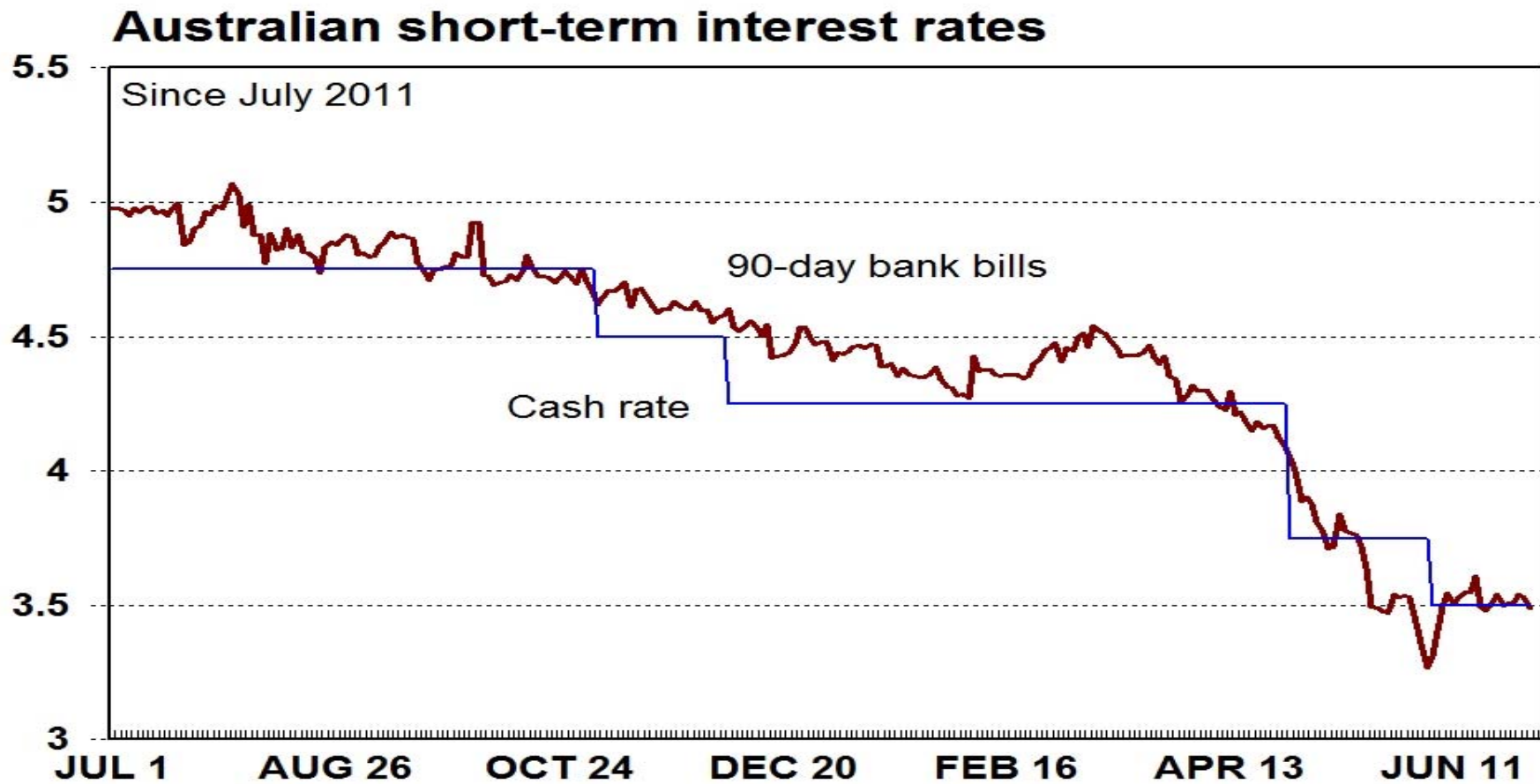
		30-Jun-11	High	Low	29-Jun-12	% change
BHP	BHP Billiton	\$43.80	\$45.00	\$30.50	\$31.45	-28.2
CBA	Commonwealth Bank	\$52.30	\$53.80	\$42.30	\$53.10	1.5
WBC	Westpac	\$22.26	\$23.55	\$17.84	\$21.13	-5.1
ANZ	ANZ Bank	\$22.00	\$24.05	\$17.63	\$22.03	0.1
NAB	National Australia Bank	\$25.62	\$26.56	\$19.64	\$23.54	-8.1
TLS	Telstra	\$2.89	\$3.75	\$2.69	\$3.69	27.7
WES	Wesfarmers	\$31.85	\$33.38	\$26.04	\$29.90	-6.1
WOW	Woolworths	\$27.75	\$27.99	\$23.21	\$26.80	-3.4
RIO	Rio Tinto	\$82.99	\$84.53	\$52.83	\$56.50	-31.9
CSL	CSL	\$33.06	\$40.06	\$26.12	\$39.42	19.2
WDC	Westfield	\$8.66	\$9.69	\$7.21	\$9.50	9.7
WPL	Woodside Petroleum	\$41.00	\$41.34	\$29.76	\$31.02	-24.3
NCM	Newcrest Mining	\$37.71	\$41.27	\$21.72	\$22.61	-40.0
QBE	QBE Insurance	\$17.25	\$17.75	\$9.88	\$13.38	-22.4
ORG	Origin Energy	\$15.79	\$15.85	\$12.00	\$12.20	-22.7
AMP	AMP	\$4.89	\$4.98	\$3.61	\$3.85	-21.3
STO	Santos	\$13.54	\$14.63	\$10.11	\$10.65	-21.3
SUN	Suncorp-Metway	\$8.14	\$8.85	\$6.03	\$8.09	-0.6
BXB	Brambles	\$7.22	\$7.55	\$5.76	\$6.16	-14.7
ORI	Orica	\$26.94	\$28.27	\$21.34	\$24.69	-8.4

Source: Iress, Reuters, CommSec

Australian bond market returns

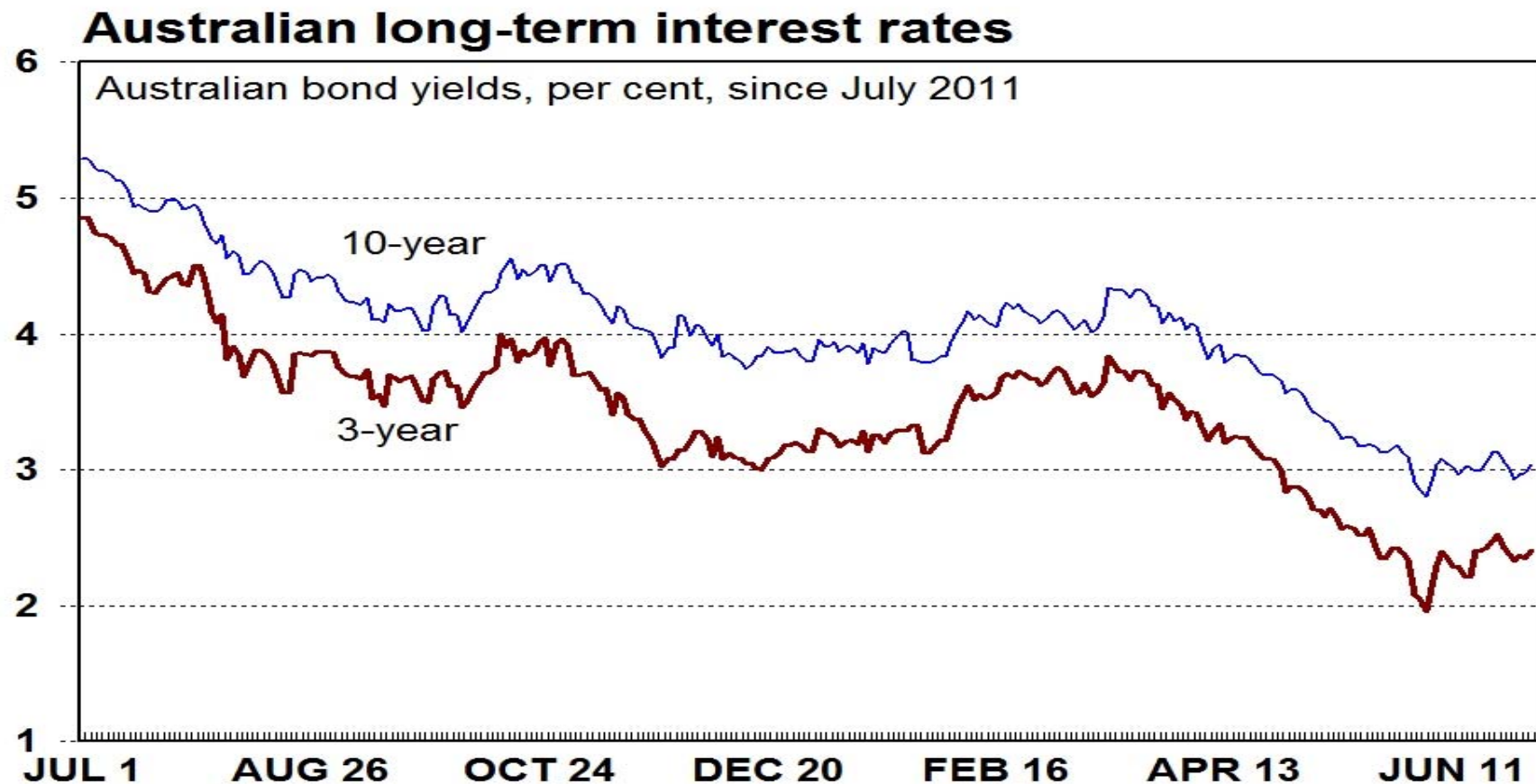


Australian short-term interest rates



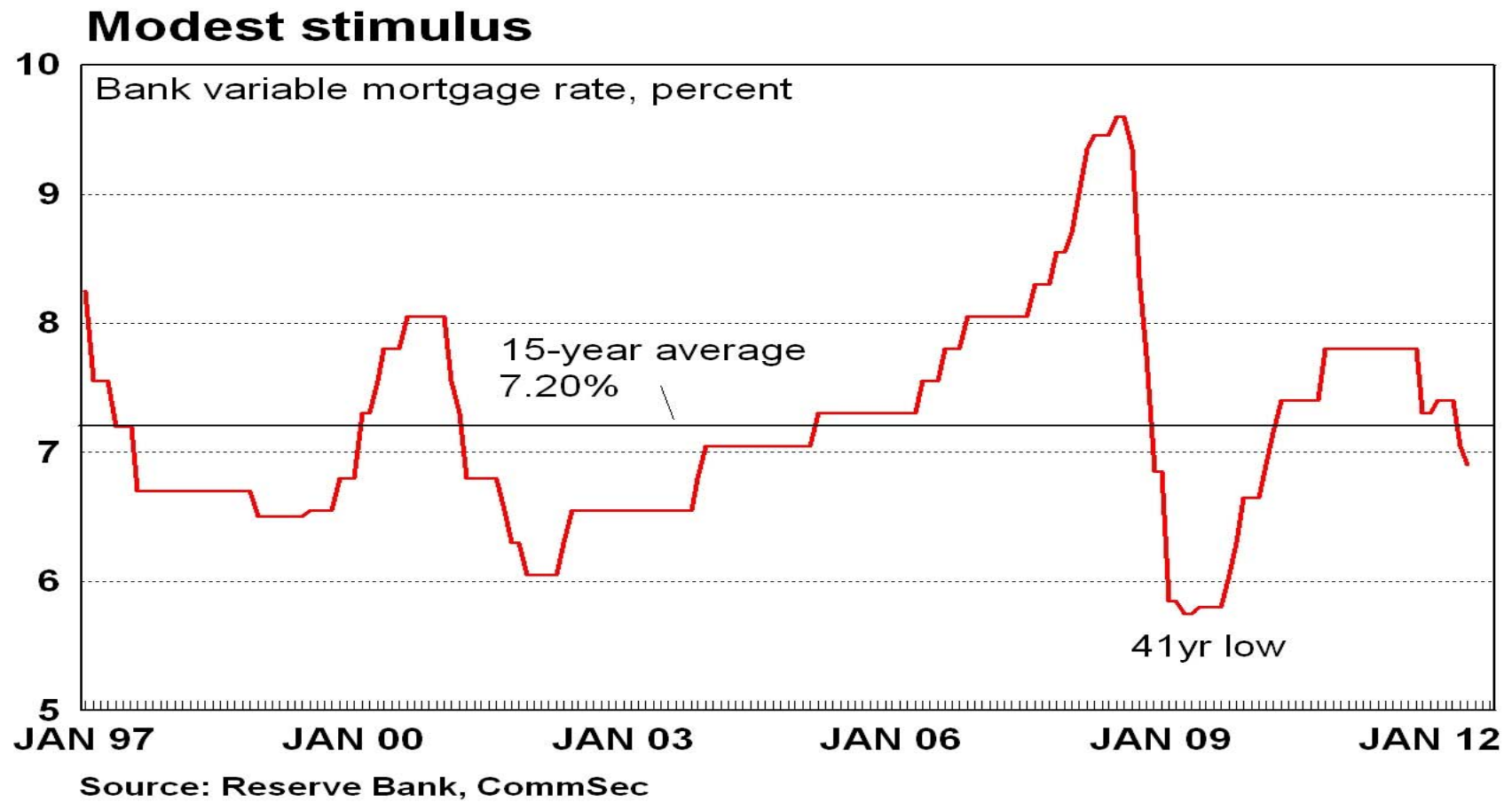
Source: Reuters, CommSec

Australian longer-term rates



Source: Reuters, CommSec

Interest rates: Housing



Currency markets

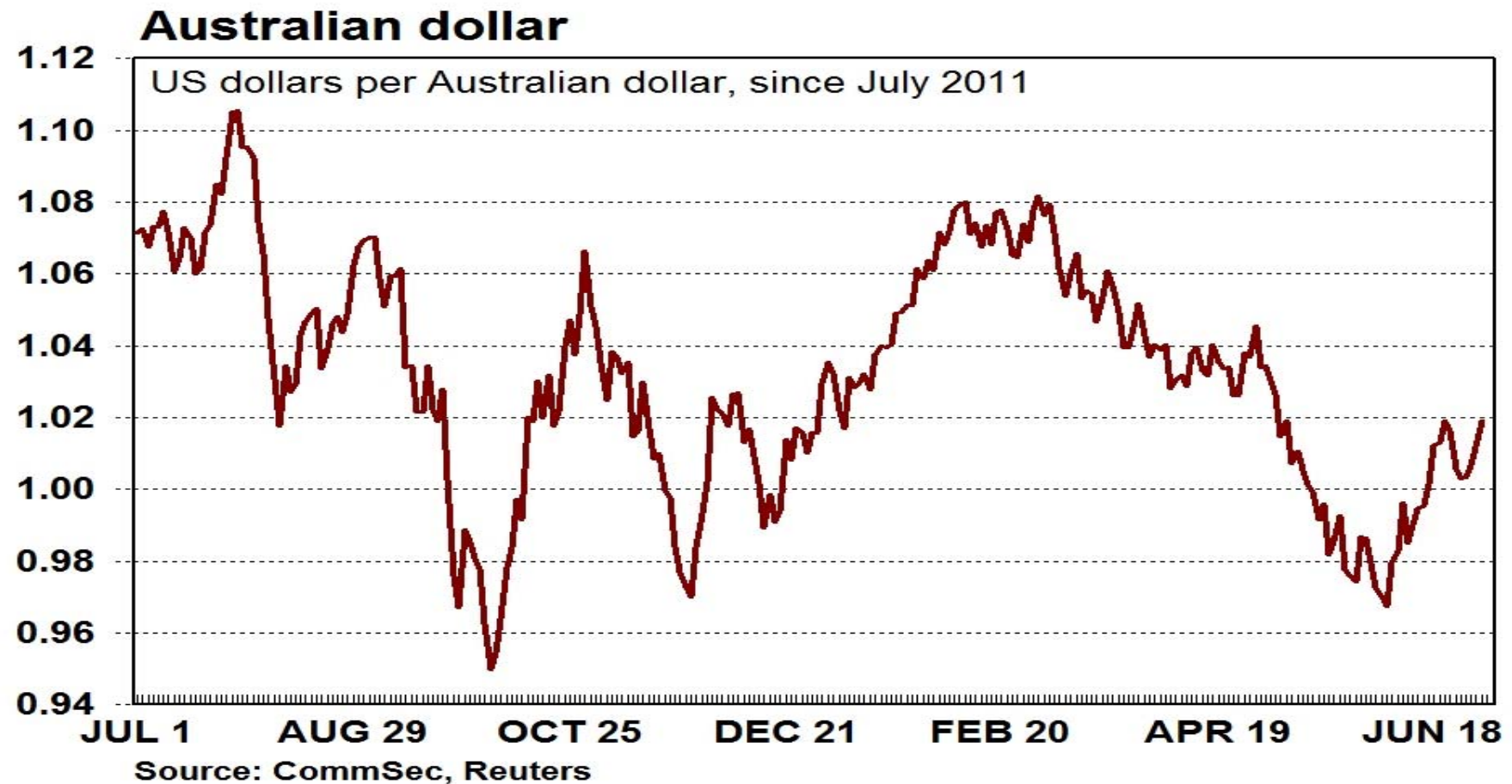
Weakest currencies against USD 2011/12

	<i>% change</i>
Malawi kwacha	-78.4
Syria pound	-34.9
Serbia dinar	-31.7
Brazil real	-28.7
Bhutan ngultrum	-24.5

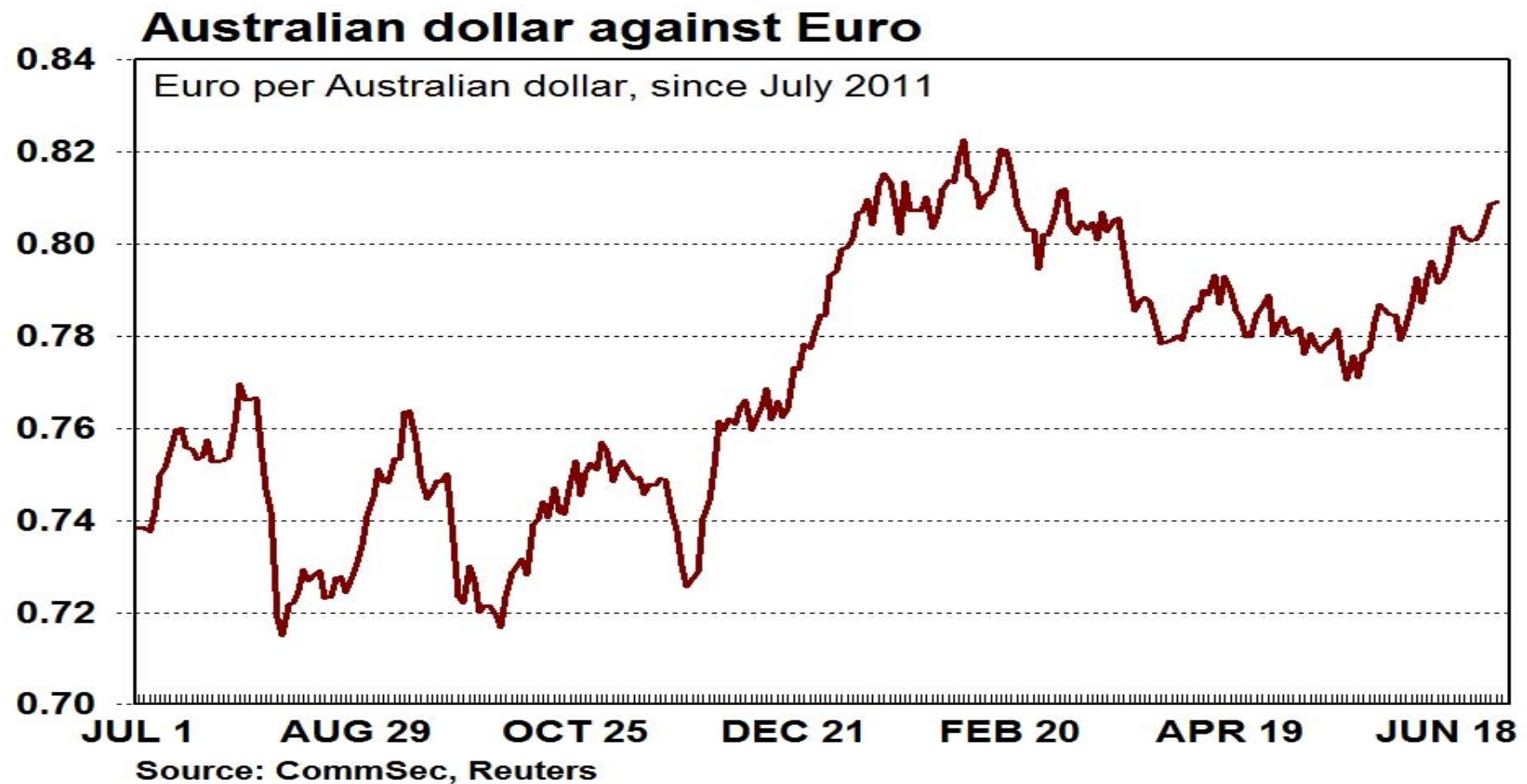
Strongest currencies against USD 2011/12

	<i>% change</i>
Papua New Guinea kina	9.6
Solomon Islands dollar	6.4
Kenya pound	5.7
Uganda shilling	3.7
Philippines peso	3.3

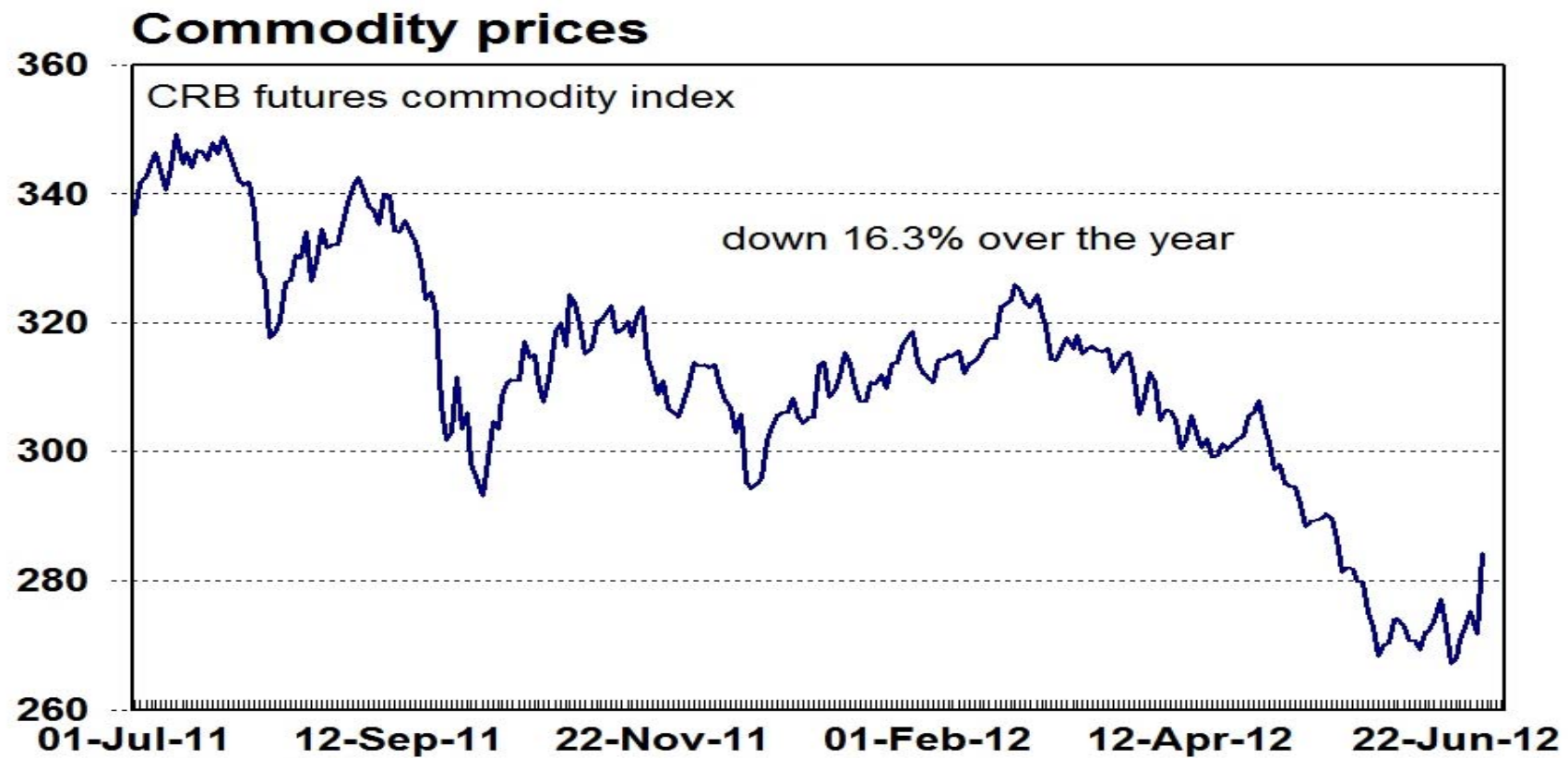
Australian dollar, versus USD



Australian dollar, versus Euro

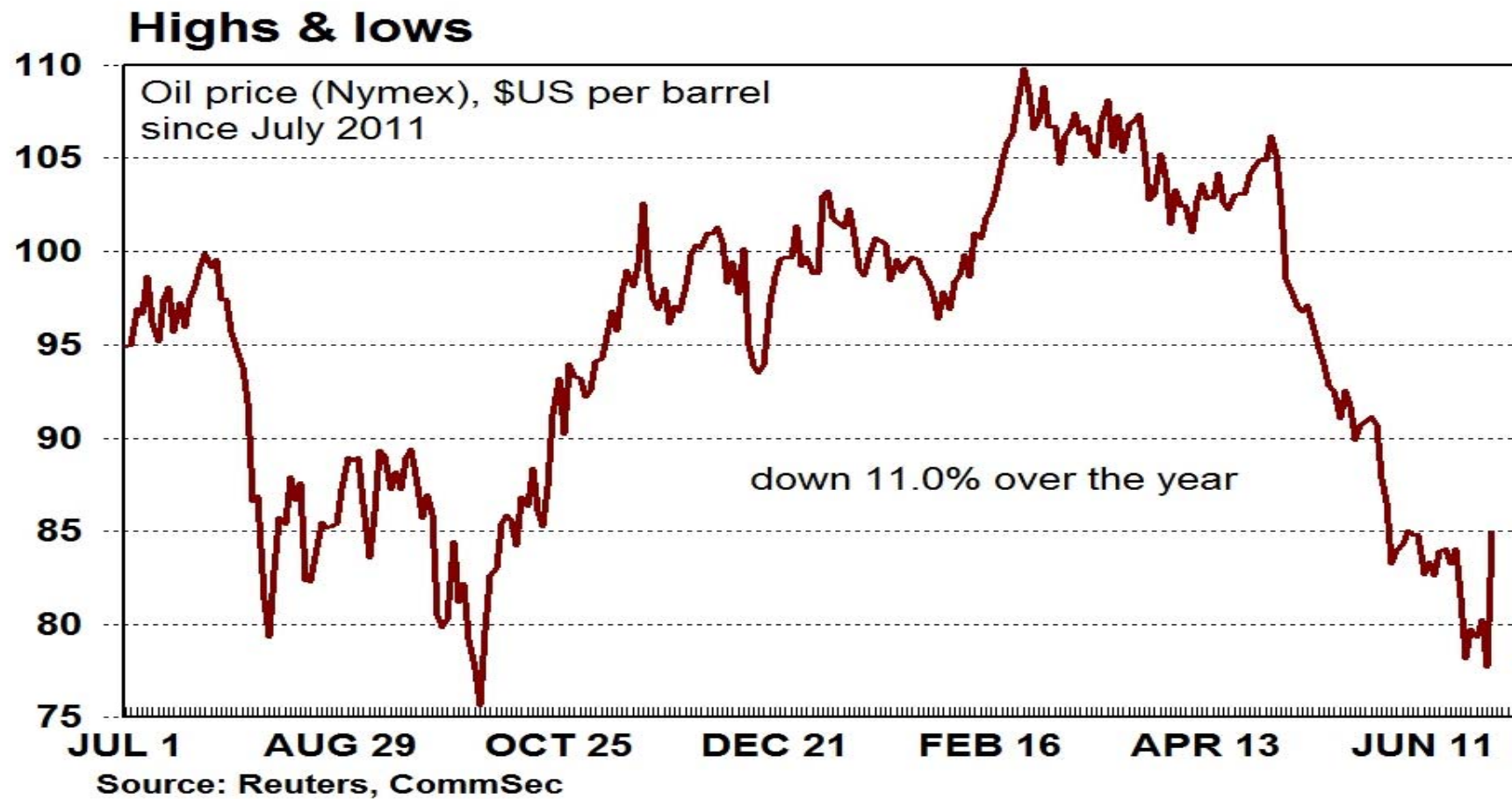


Commodity prices

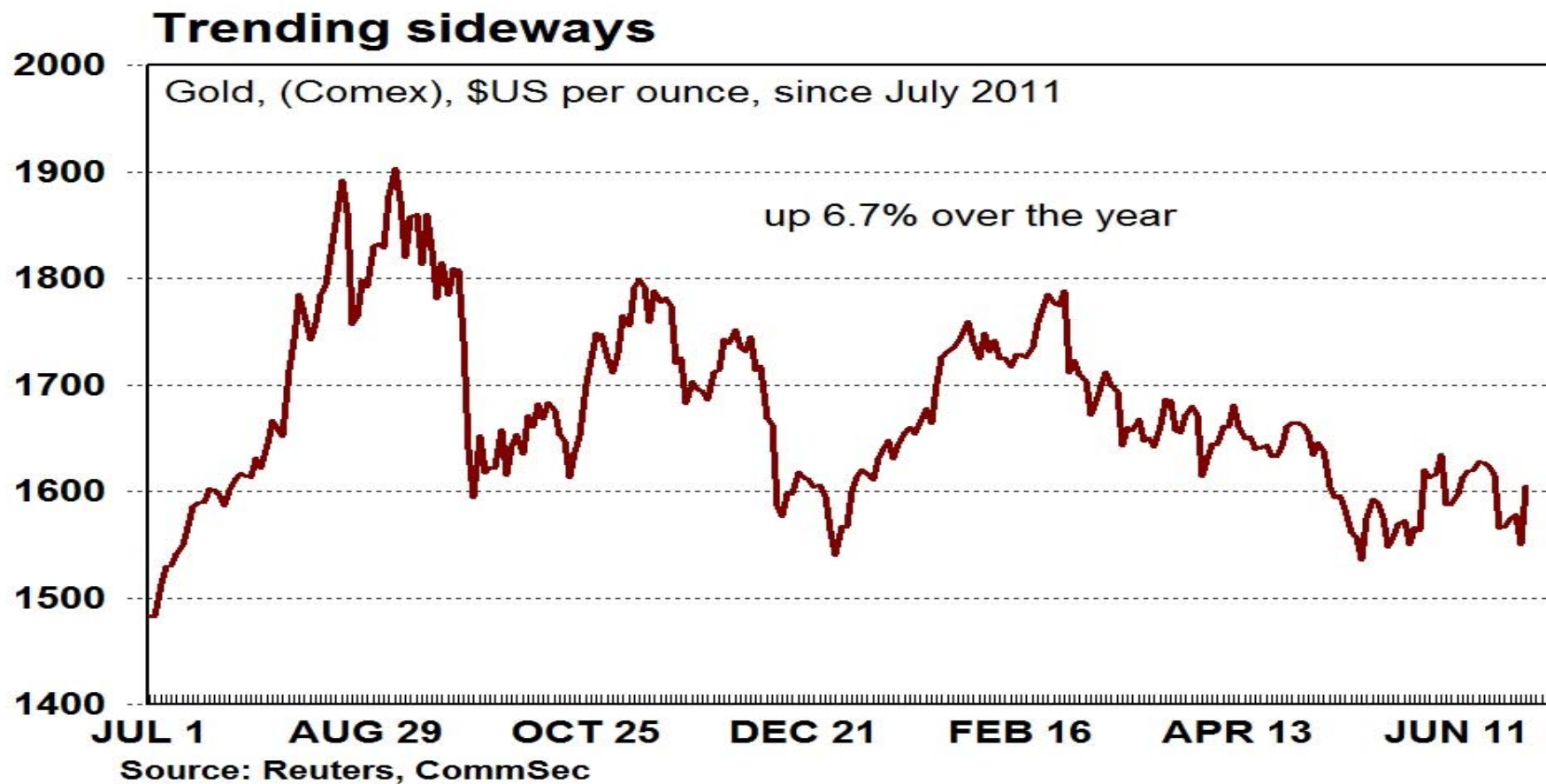


Source: Reuters, CommSec

Oil price



Gold price



Base metal prices



Source: Reuters, CommSec

Outlook for 2012/13

- We are hopeful that European leaders will continue to make progress on the debt crisis, although investors may be frustrated by the speed of action.
- Chinese authorities will act to stimulate the economy over the coming year. But as they have shown in the past few months, they are likely to tread more cautiously than in the past, fearful of reigniting inflation.
- CommSec believes that the US economy is merely going through a 'soft patch' or mid-cycle pause in the recovery process. The good news is that the housing imbalance is being corrected and US companies are making solid returns.
- The Australian economy is expected to experience more 'normal' growth over 2012/13 with growth of around 3.25 per cent.
- If Europe stabilises as hoped and Chinese economic policy is more stimulatory, then resource stocks will be back in favour and the Aussie dollar will creep higher. CommSec tips the ASX 200 to be at 4,650 in June 2013 with the Aussie dollar expected to be around US104 cents.

Forecasts

Economic growth	3.2% in 2011/12	3.2% in 2012/13
Inflation	2.3% in 2011/12	2.6% in 2012/13
Unemployment	4.75%-5.25%, end 2012	4.75-5.25%, mid 2013
Cash rate	3.00-3.25%, end 2012	3.00-3.25%, mid 2013
Sharemarket (All Ords)	4,400 points, end 2012	4,650 points, mid 2013
Australian dollar	US105c in Dec 2012	US104c in mid 2013