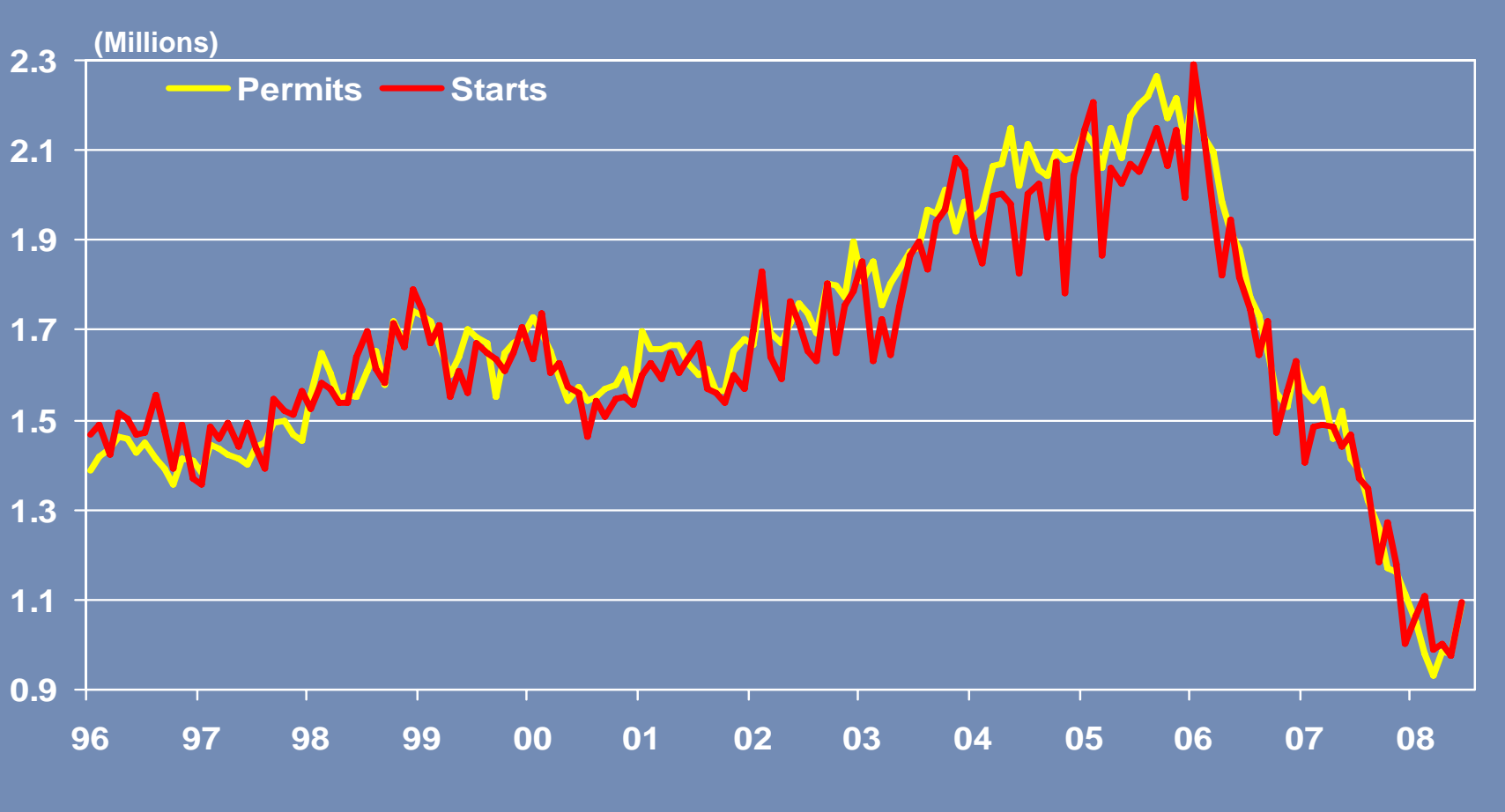


The Big Picture– the World and Australia

Presented by Dr Chris Caton

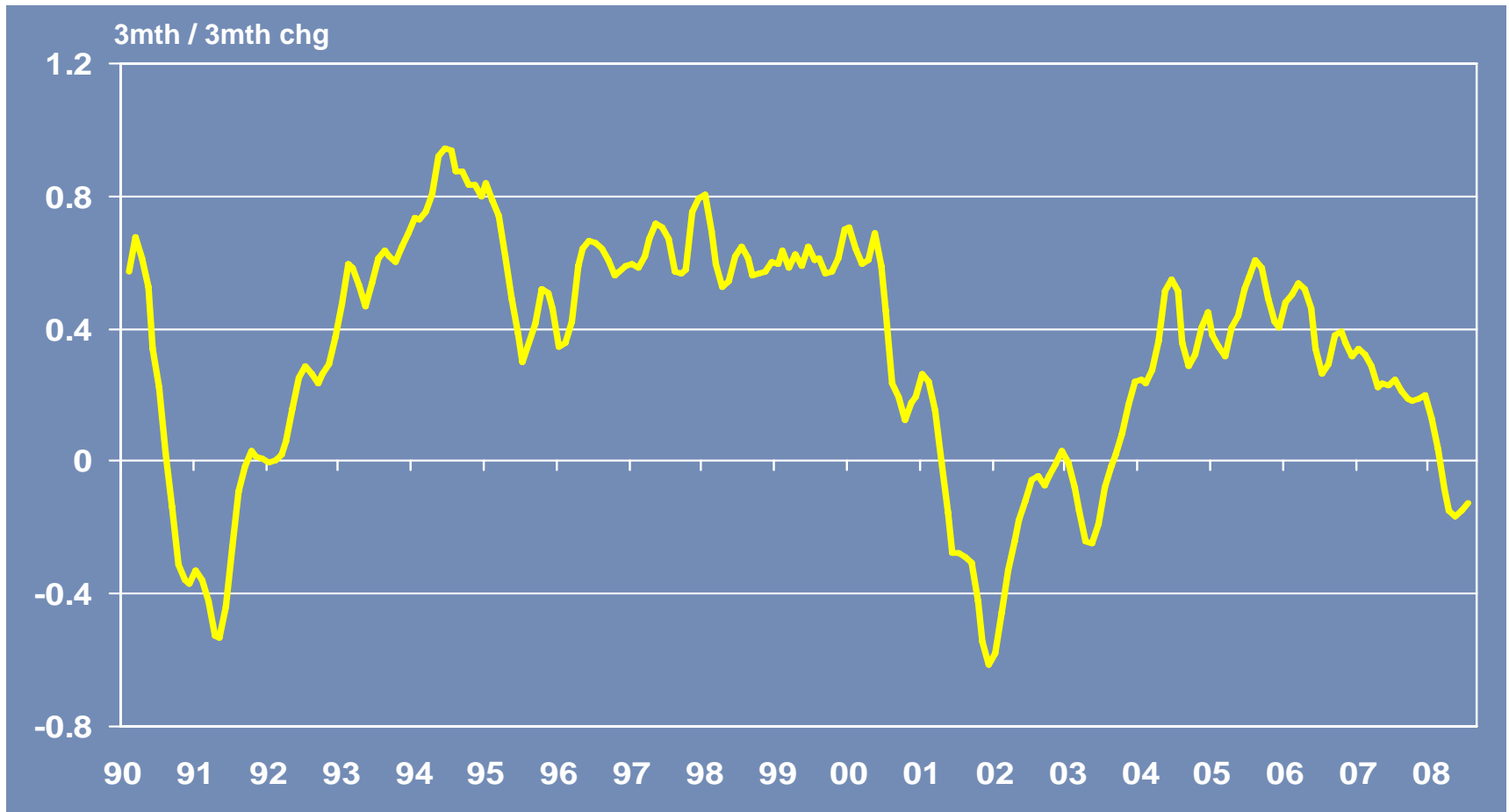
18 August 2008

US Housing starts and Permits



Source: Datastream

Total US Non-farm Employment



Source: Datastream

2009 Growth Forecasts (%)

Month of Forecast

	J-08	F-08	M-08	A-08	M-08	J-08	J-08
Australia	3.5	3.3	3.2	3.0	3.0	2.8	2.8
New Zealand	2.6	2.6	2.5	2.1	2.1	2.1	1.8
US	2.7	2.6	2.3	2.1	1.9	1.7	1.5
Japan	2.0	1.9	1.8	1.7	1.6	1.5	1.3
China	9.8	9.7	9.6	9.3	9.3	9.4	9.3
Germany	1.9	1.9	1.8	1.6	1.5	1.3	1.2
UK	2.0	2.0	1.9	1.7	1.6	1.3	1.0
“World”	3.4	3.3	3.2	3.1	3.0	2.9	2.7

Source: Consensus Economics

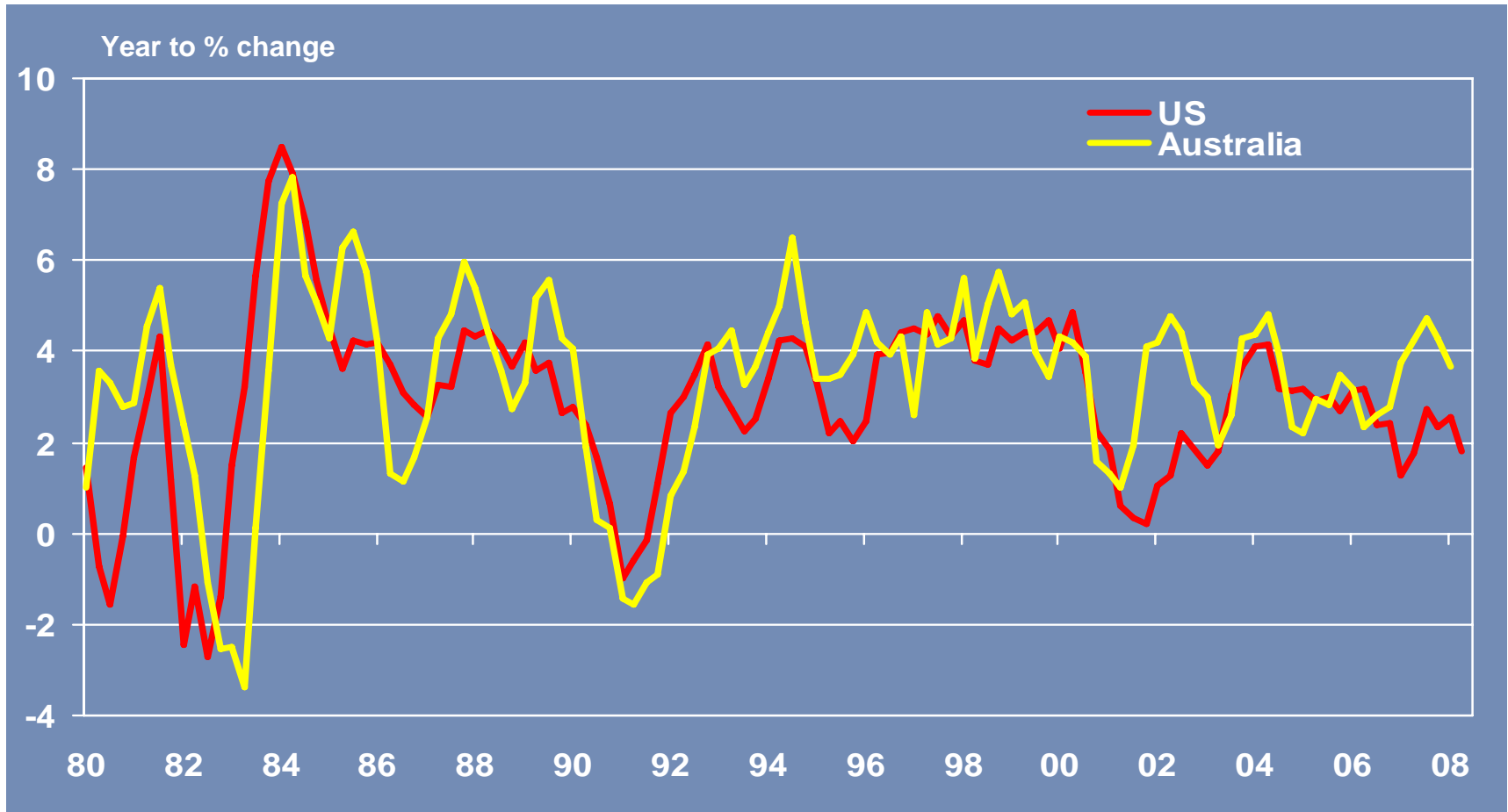
2008 Inflation Forecasts (%)

Month of Forecast

	J-08	F-08	M-08	A-08	M-08	J-08	J-08
Australia	3.1	3.3	3.3	3.4	3.9	4.0	4.2
US	2.8	2.9	3.4	3.6	3.8	4.0	4.3
Japan	0.4	0.4	0.5	0.7	0.8	1.1	1.4
China	4.3	4.5	5.0	6.0	6.3	7.0	7.0
Germany	2.1	2.1	2.3	2.5	2.6	2.8	2.9
UK	2.3	2.4	2.5	2.6	2.7	3.1	3.4
“World”	3.0	3.2	3.5	3.7	4.0	4.3	4.6

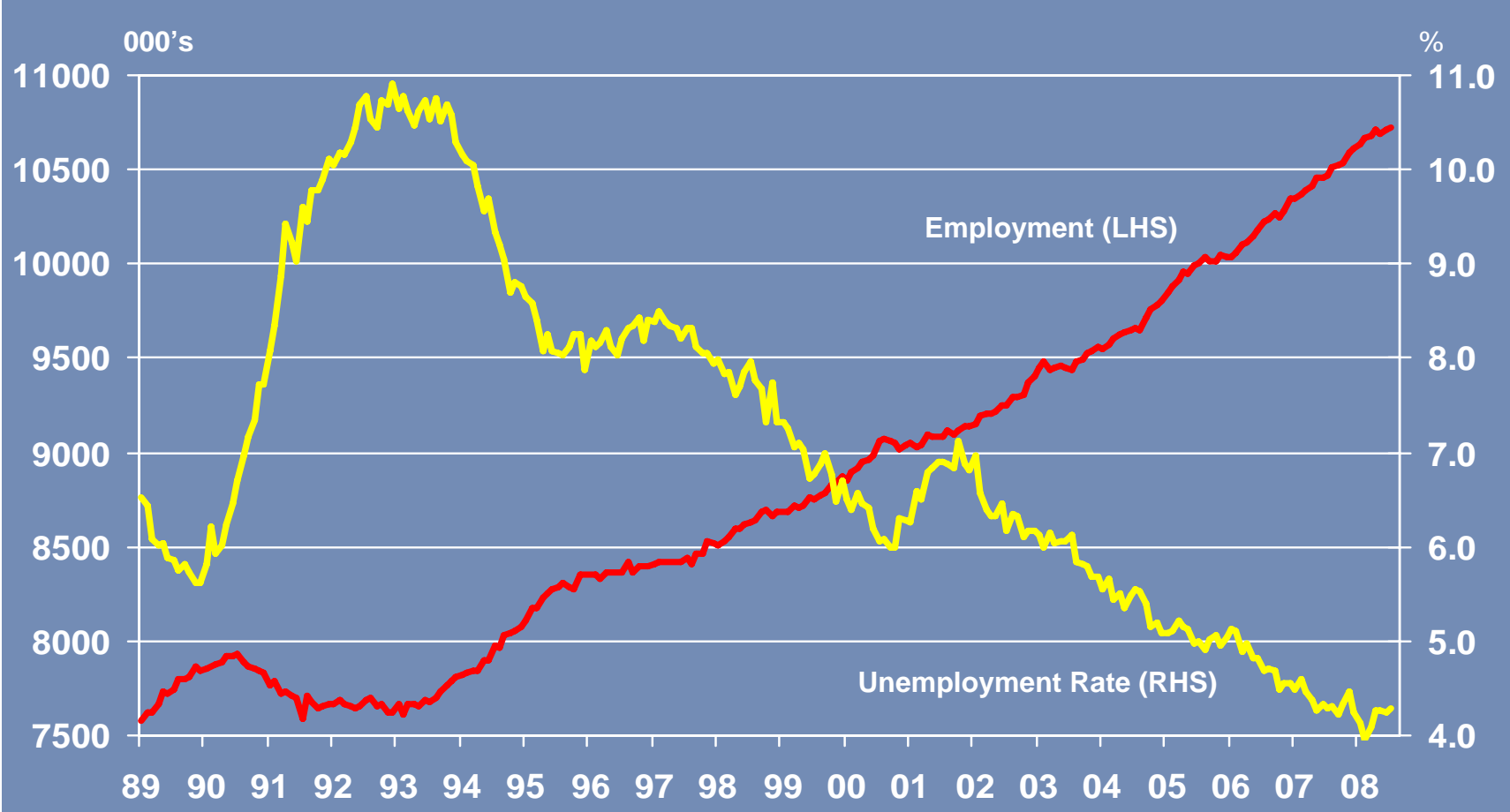
Source: Consensus Economics

Real GDP growth in Australia and the US



Source: Datastream

The Labour market



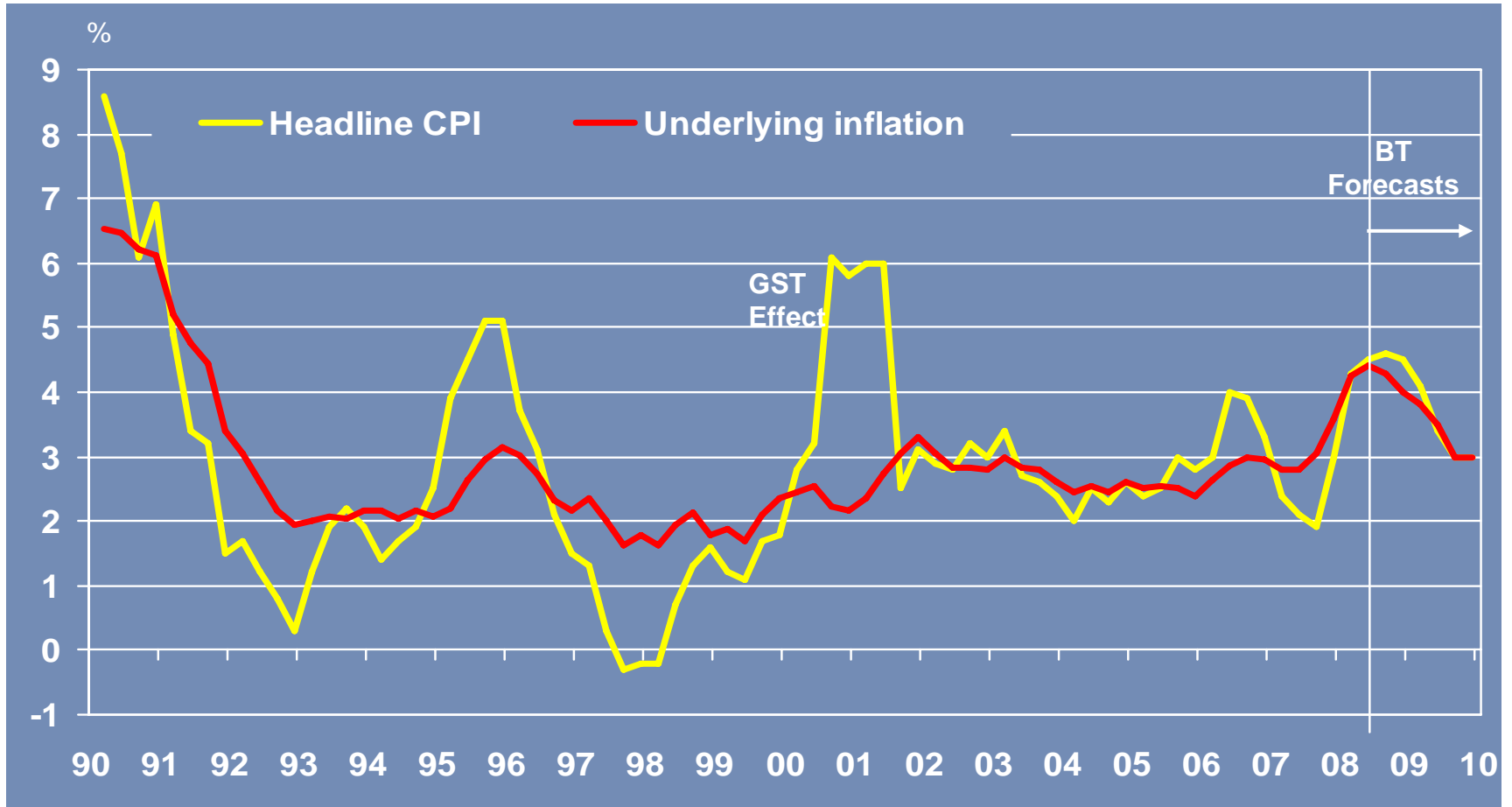
Source: ABS

The labour market by State

	Employment growth Year to July 2008	Unemployment rate July 2008
NSW	2.0	4.7
Victoria	1.5	4.6
Queensland	2.7	3.8
WA	2.7	3.3
SA	2.7	4.8
Tasmania	4.1	4.3
Australia	2.3	4.3

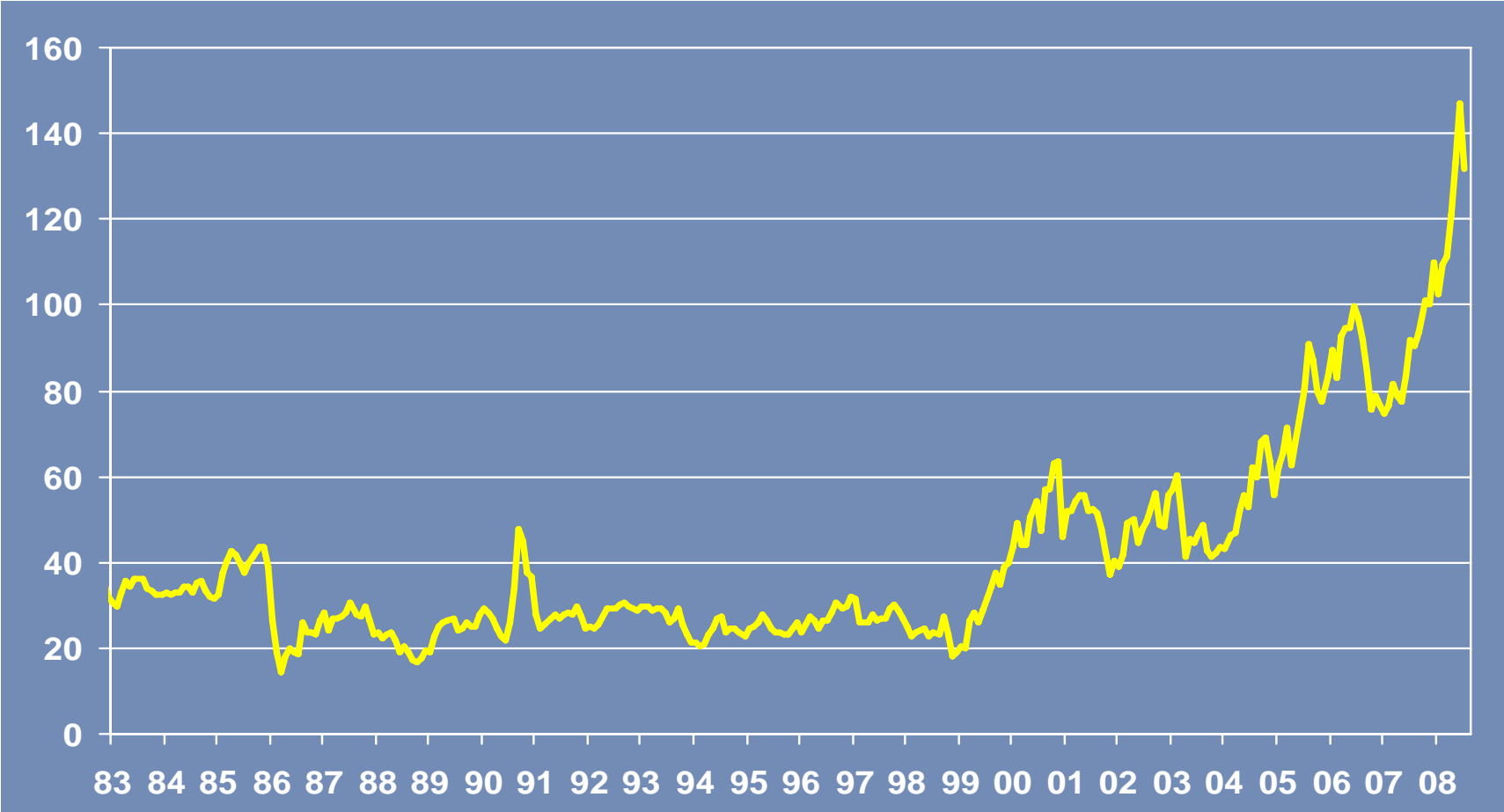
Source: ABS

Australian Inflation



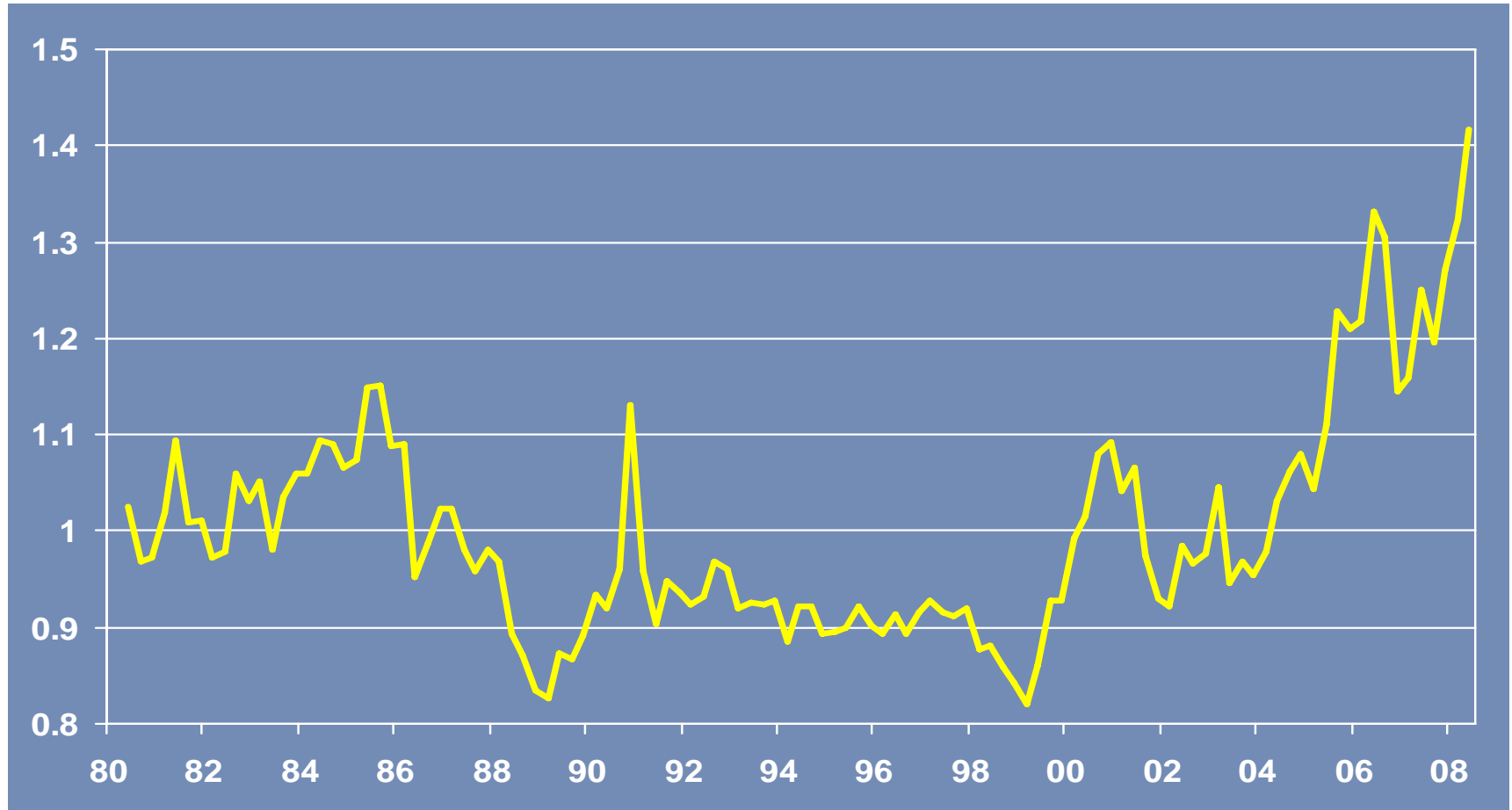
Source: ABS

Oil Prices (West Texas) in \$A/bbl

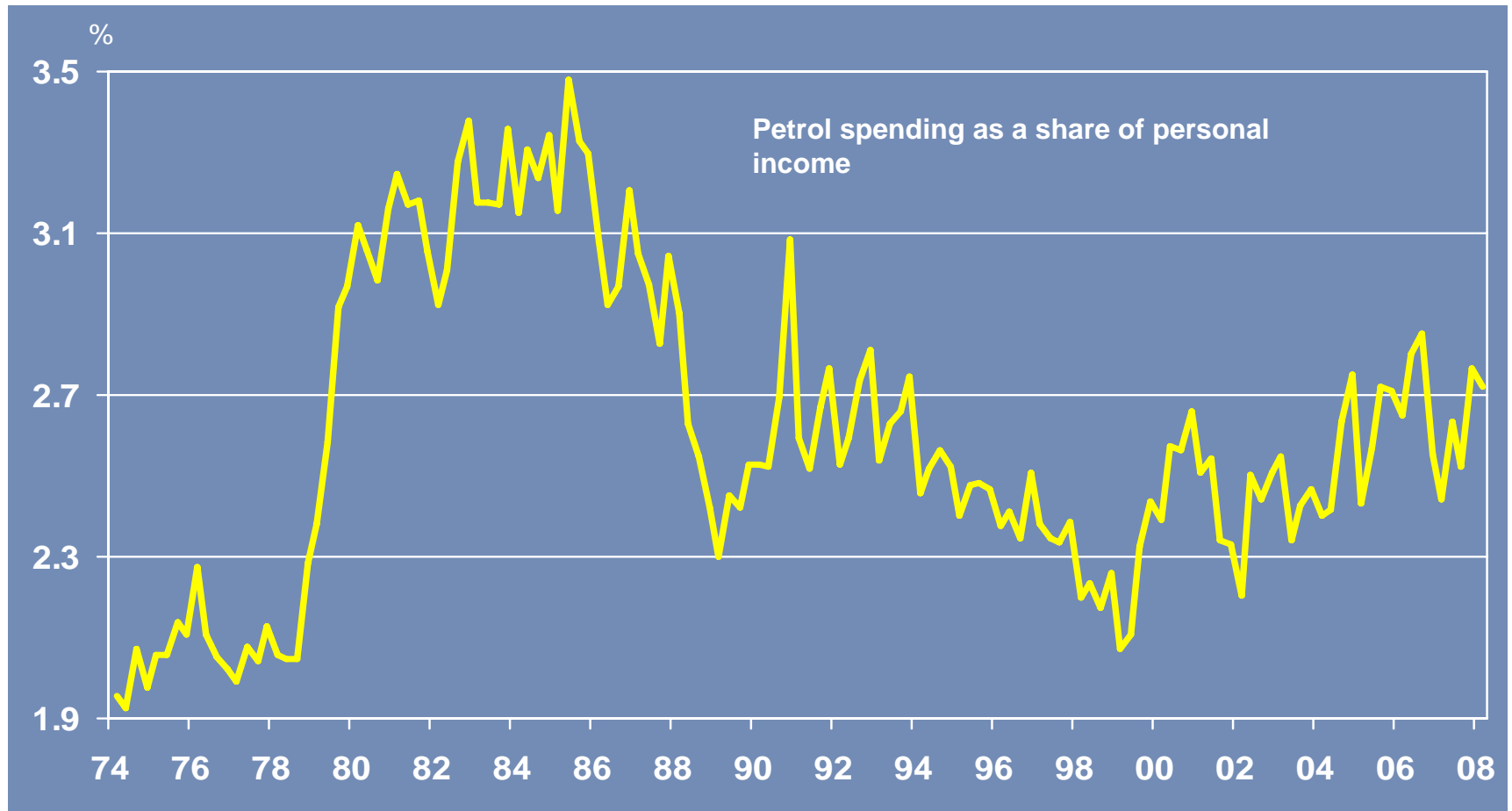


Source: Datastream

Petrol Prices relative to CPI

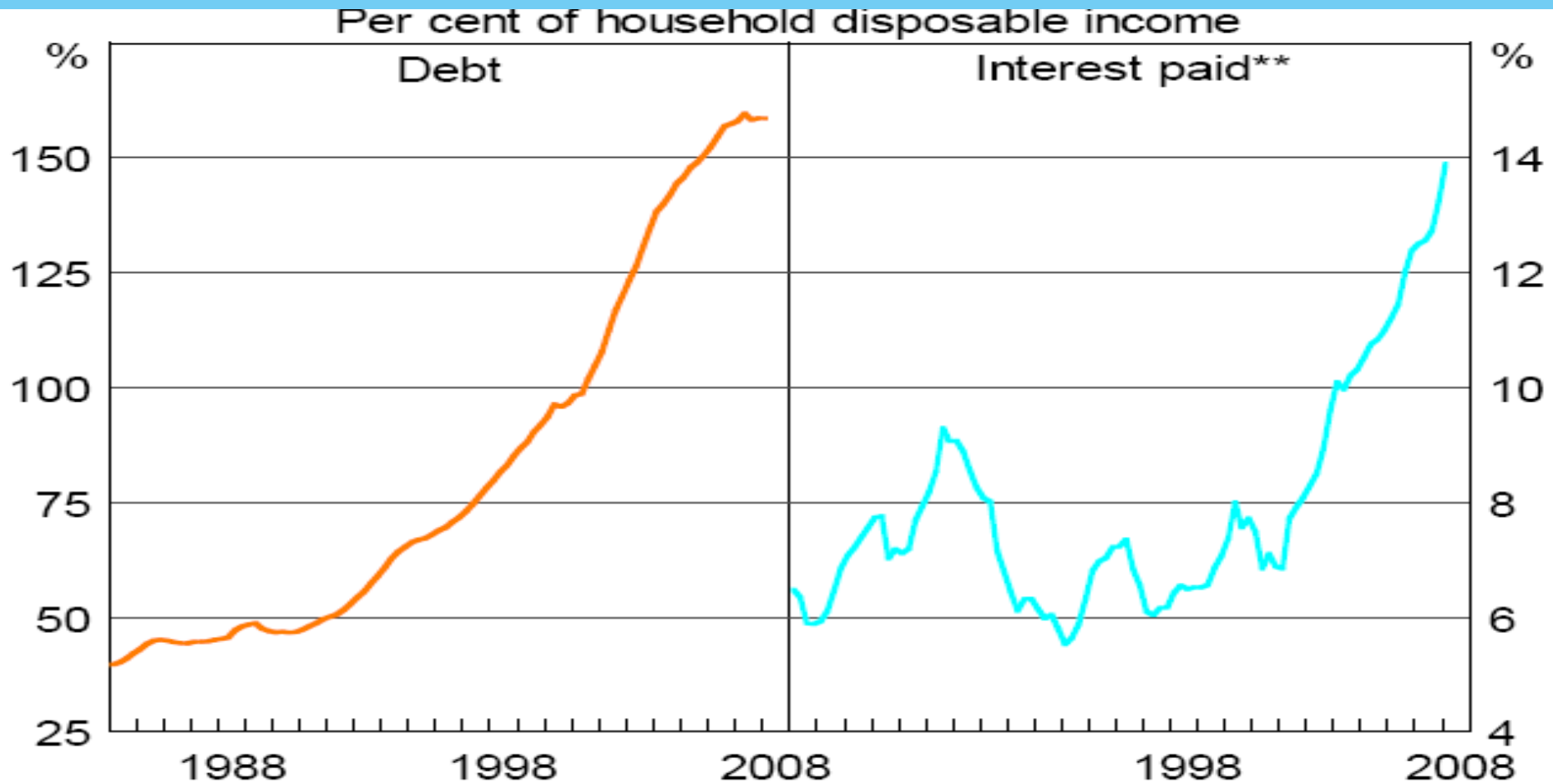


Petrol spending as a share of personal income



Source: ABS

Household debt and interest

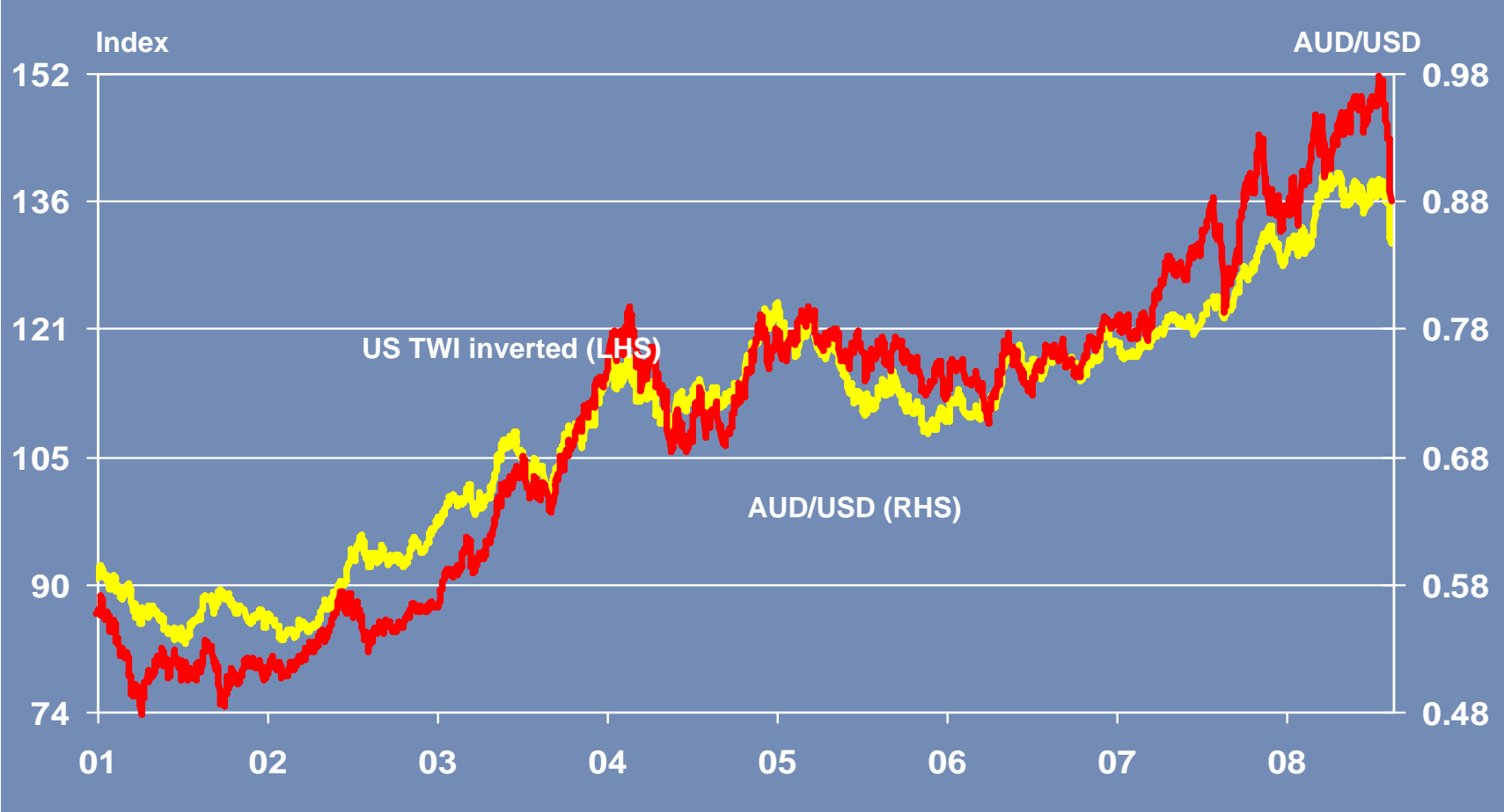


* Household sector excludes unincorporated enterprises. Disposable income is after tax and before the deduction of interest payments.

** Includes imputed financial intermediation service charge

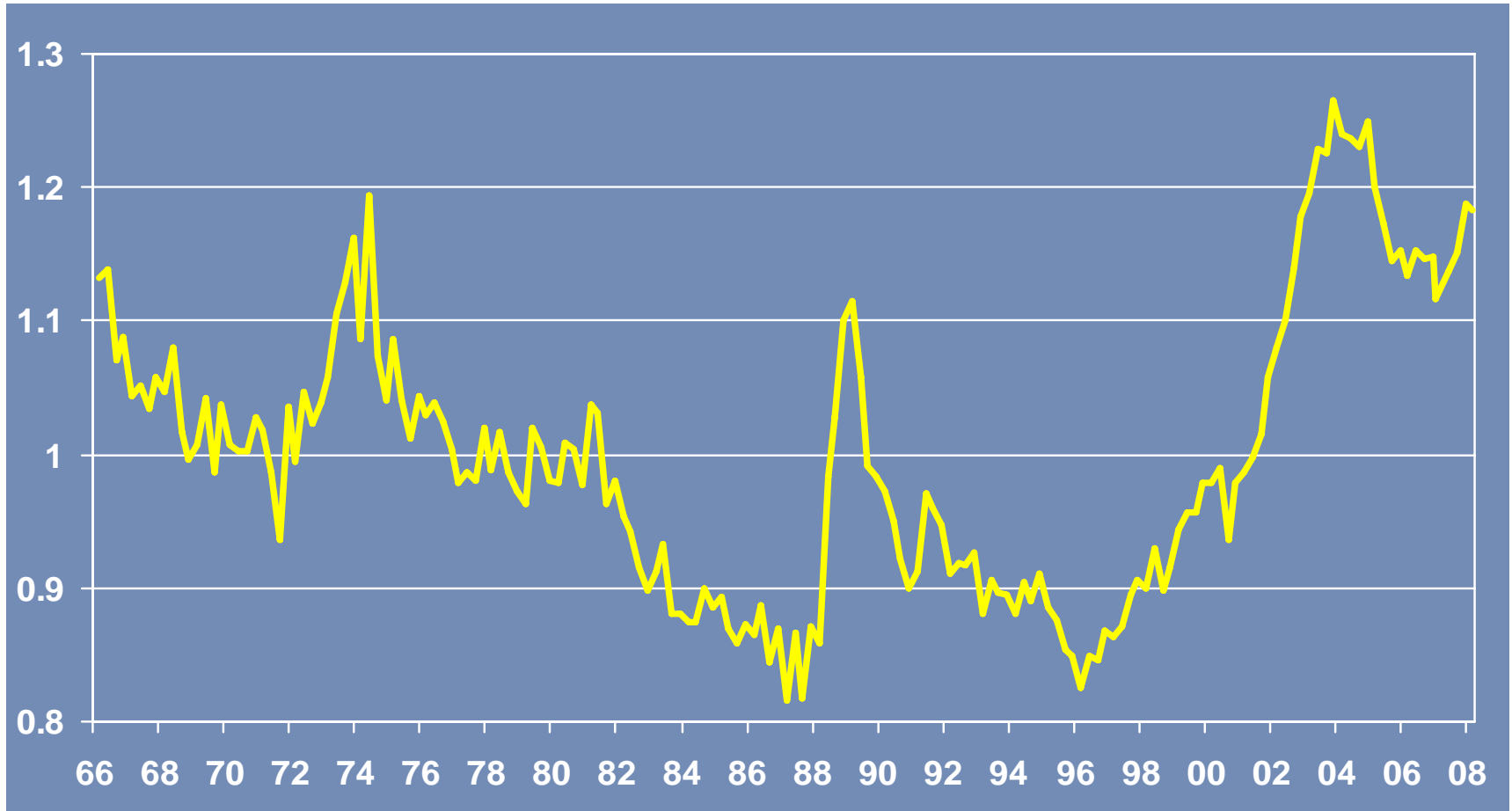
Sources: ABS; RBA

The Australian Dollar and US Trade Weighted Index



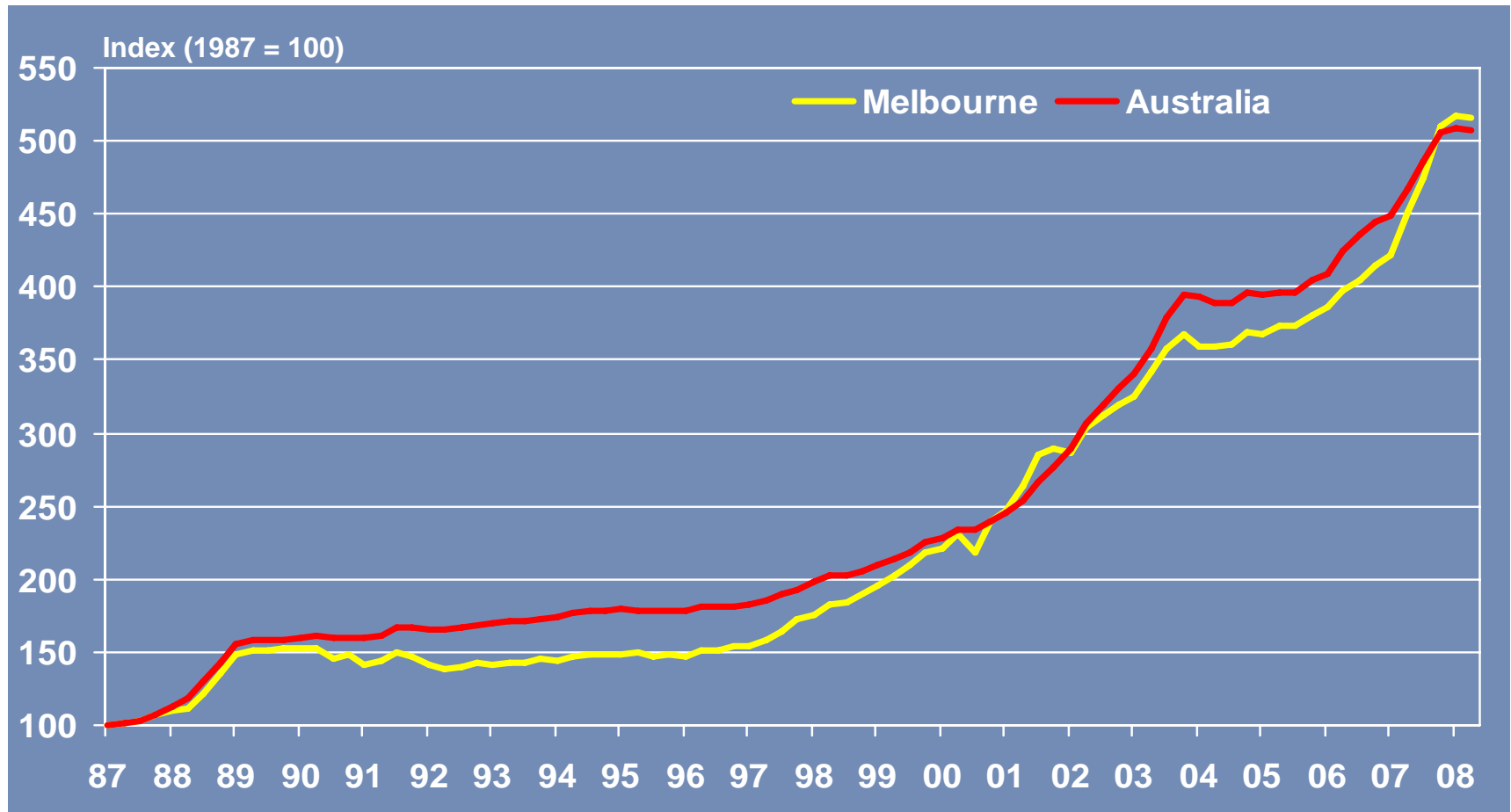
Source: Datastream

Ratio of Australian house prices to GDP



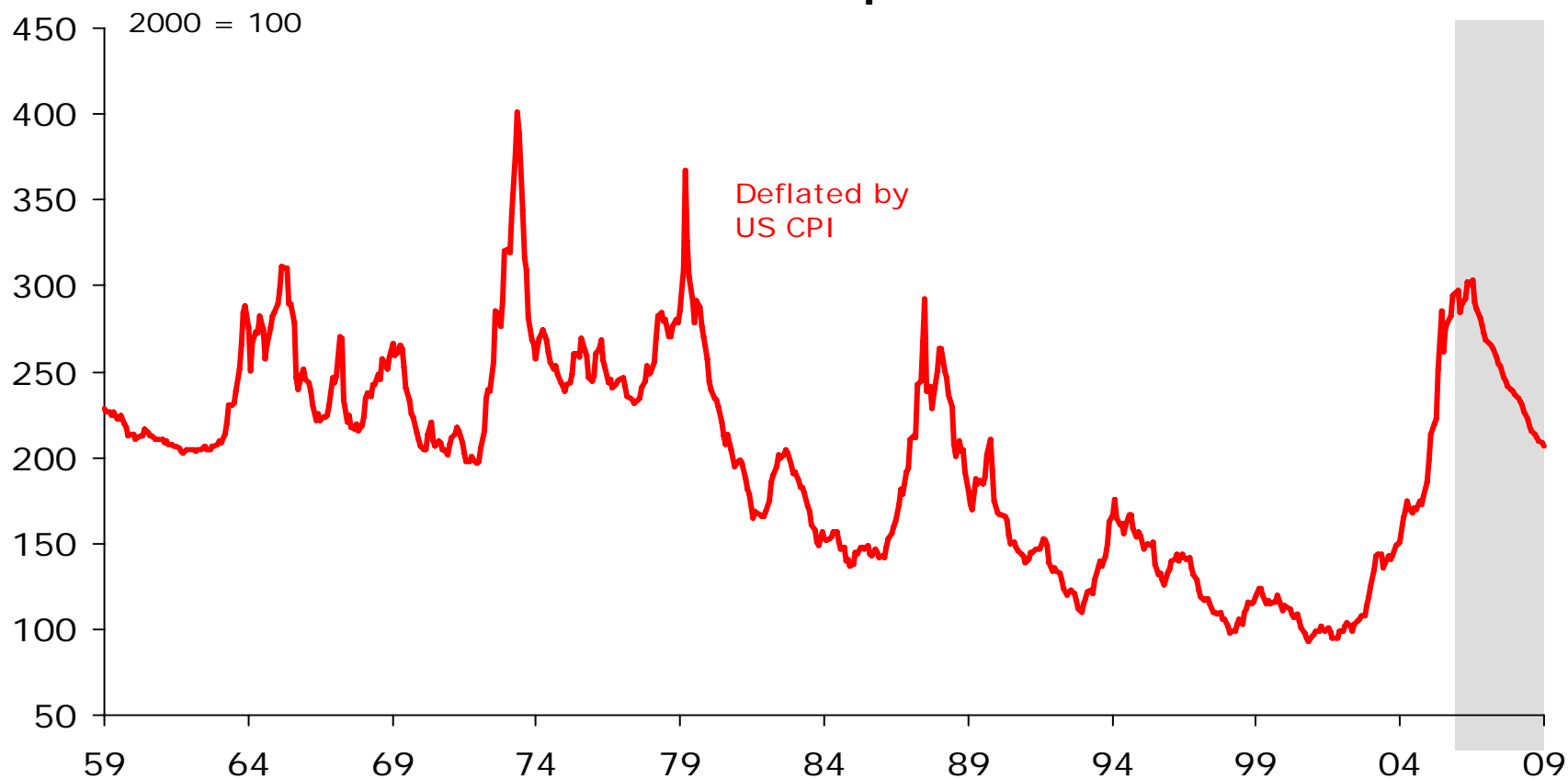
Source: UBS

House Prices - Australia v Melbourne



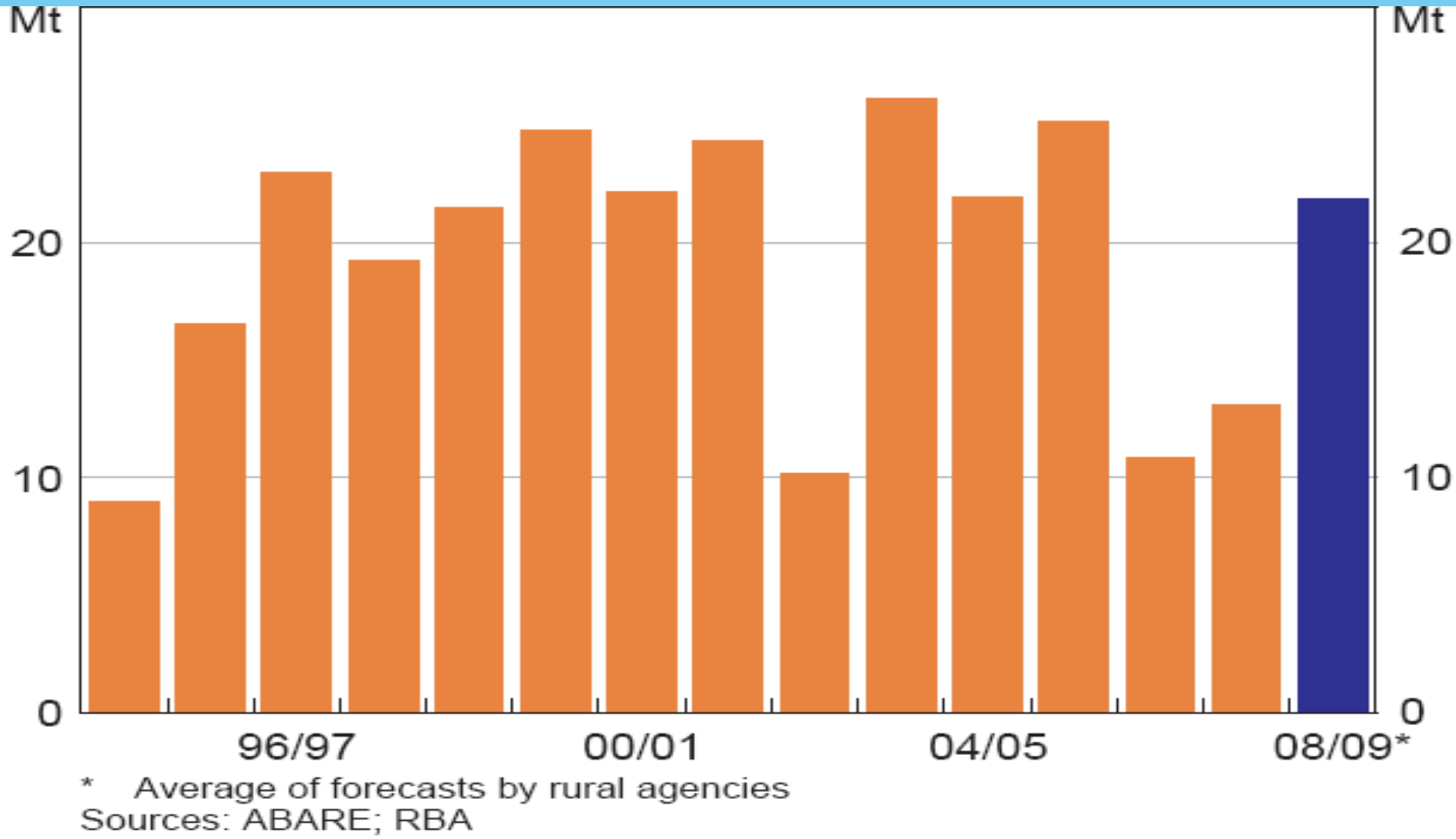
Metal prices are likely to remain higher for longer than in previous booms

Real metal prices

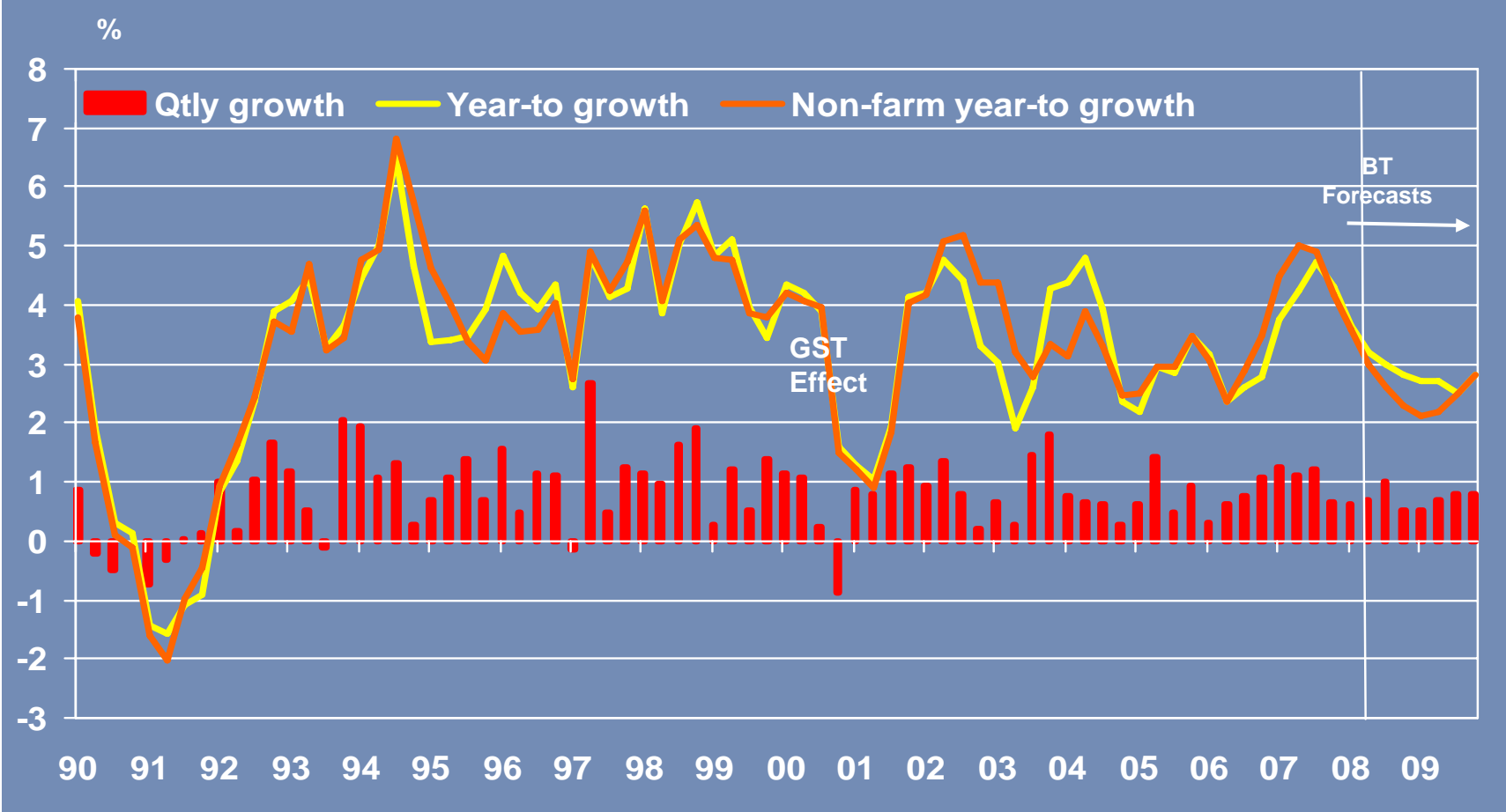


Sources: IMF *International Financial Statistics*; US Bureau of Labor Statistics; Economics@ANZ.

Wheat production is expected to increase



Gross Domestic Product



Source: ABS

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

	GDP	Consumer Prices
Australia	3.1	2.7
New Zealand	2.8	2.6
Norway	2.6	2.5
United States	2.5	2.3
Spain	2.5	2.7
Sweden	2.5	2.1
Canada	2.3	2.0
United Kingdom	2.2	2.2
Netherlands	2.1	1.9
France	2.0	1.9
Eurozone	1.9	2.1
Switzerland	1.8	1.5
Japan	1.6	1.2
Germany	1.6	1.8
Italy	1.3	2.1

Source: Consensus Economics

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

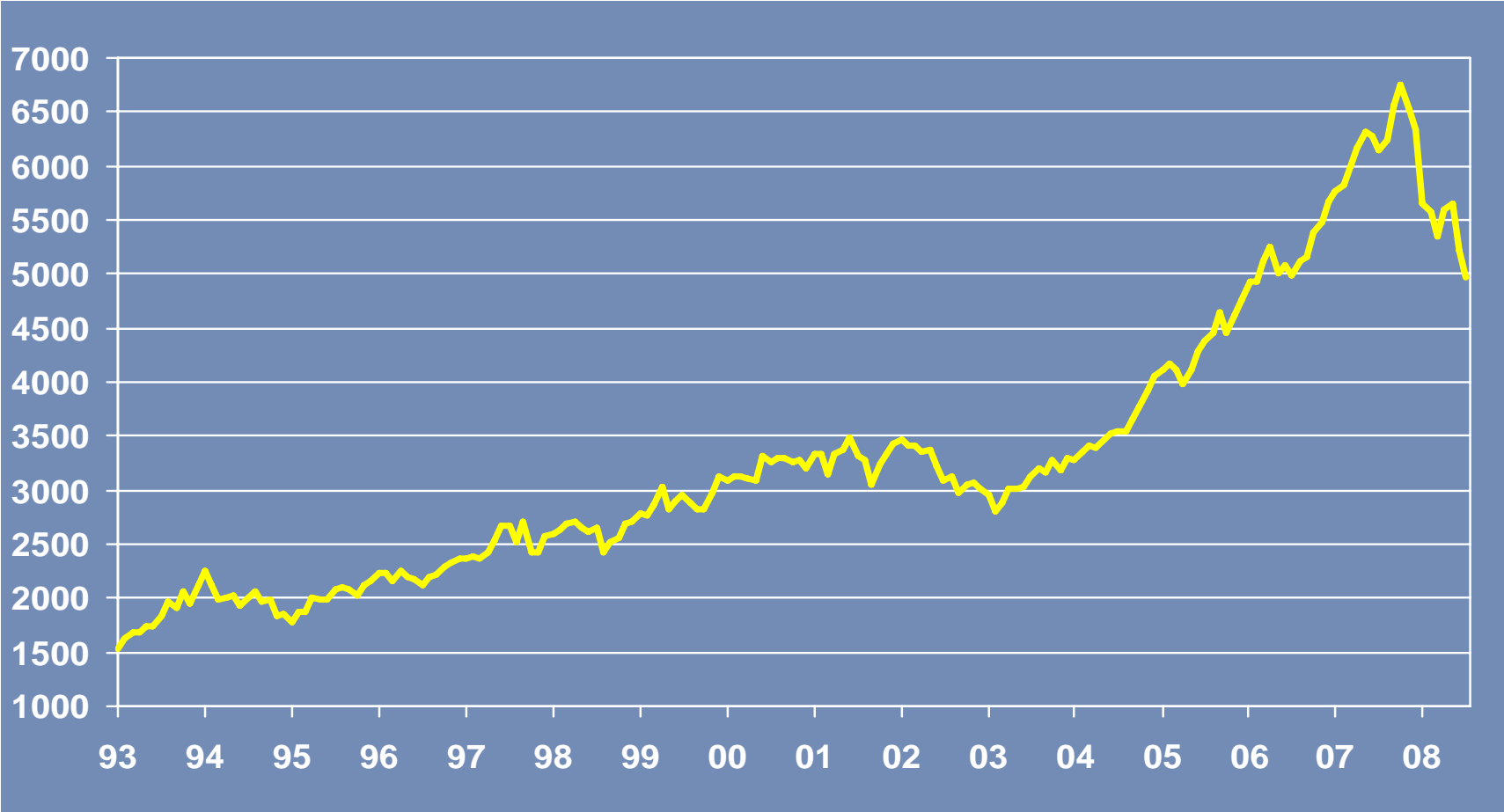
	GDP	Consumer Prices
China	8.3	3.9
India	8.1	4.8
Indonesia	5.8	5.3
Malaysia	5.3	2.3
Singapore	5.1	2.3
Thailand	4.7	3.2
South Korea	4.3	2.8
Hong Kong	4.2	3.1
Taiwan	4.2	3.2
Australia	3.1	2.7
New Zealand	2.8	2.6
Japan	1.6	1.2

Source: Consensus Economics

Financial Market Forecasts

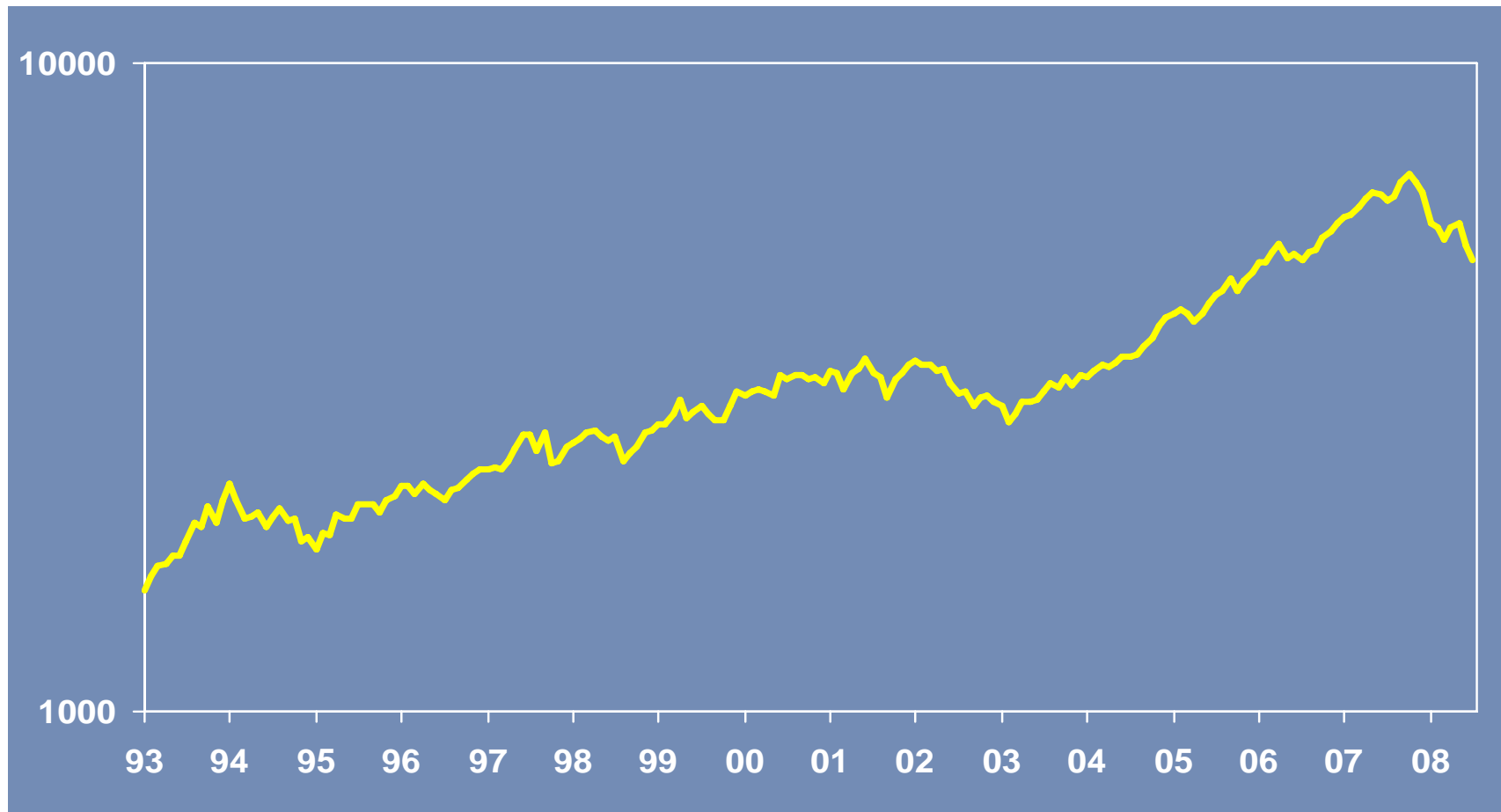
	Now (12 Aug)	End-Dec 2008	End-Jun 2009
AUD/USD	0.877	0.85	0.85
Official cash rate (%)	7.25	6.75	6.50
10 Year Bond yield (%)	5.87	6.00	6.00
ASX 200	5050	5250	5750

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	Jan 08?	3?	Jul 08?	-	-	12.9	-18?	-

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

P/E ratio for world markets



Source: I/B/E/S, UBS calculations

And for the Australian market



Source: I/B/E/S, UBS calculations

Morgan Stanley Capital Indexes



Source: Datastream

Summary

- World economic growth has slowed significantly. The US is in mild recession, but could it be worse? Or just longer?
- Australian economy is slowing, although not drastically. It will feel worse in some regions!
- Interest rates will fall, perhaps as early as next month.
- The exchange rate should fall but will remain strong.
- Stocks are cheap right now, but they may get cheaper still.



This presentation has been prepared by BT Financial Group Limited (ABN 63 002 916 458) 'BT' and is for general information only. Every effort has been made to ensure that it is accurate, however it is not intended to be a complete description of the matters described. The presentation has been prepared without taking into account any personal objectives, financial situation or needs. It does not contain and is not to be taken as containing any securities advice or securities recommendation. Furthermore, it is not intended that it be relied on by recipients for the purpose of making investment decisions and is not a replacement of the requirement for individual research or professional tax advice. BT does not give any warranty as to the accuracy, reliability or completeness of information which is contained in this presentation. Except insofar as liability under any statute cannot be excluded, BT and its directors, employees and consultants do not accept any liability for any error or omission in this presentation or for any resulting loss or damage suffered by the recipient or any other person. Unless otherwise noted, BT is the source of all charts; and all performance figures are calculated using exit to exit prices and assume reinvestment of income, take into account all fees and charges but exclude the entry fee. It is important to note that past performance is not a reliable indicator of future performance.

This document was accompanied by an oral presentation, and is not a complete record of the discussion held.

No part of this presentation should be used elsewhere without prior consent from the author.

For more information, please call BT Customer Relations on 132 135 8:00am to 6:30pm (Sydney time)