Report Overview

- Economy
- Financial markets
- Industry Prospects
Economic Growth

- Economic growth 3.1% year-ended June 2014.
- Somewhat below trend, 23rd year of economic expansion.
- Transitioning from mining investment driven growth to non-mining business investment, exports and new dwelling construction.
Inflation

- Inflation pressures remain subdued, consistent with RBA's 2-3% medium-term target range.
Monetary Policy

- Nominal official interest rate at record low 2.50% since August 2013.
- Real, ex post, official cash rate negative.
- Monetary policy accommodative.
Exchange Rate

- Australian dollar trade weighted index retreats from post-float (December 1983) record highs.
- Reflects lower commodity prices, narrower interest rate differentials and weaker terms of trade.

*May 1970 = 100 for nominal; real indexed to equate post-float averages
Sources: ABS; RBA; Thomson Reuters; WM/Reuters
Interest Rates

- Australian 10-year bond yields trend lower in line with global bond yields.
- Yields across the curve still highly attractive to offshore investors.
Bond Market

- New government and non-government issuance meets strong demand from local and offshore investors.
Equities

- Australian equities rally with global share markets, underperform US S&P 500, but valuations attractive.
Equity Capital Raising

- Primary and secondary raisings of equity capital well supported.
- 107 new entities listed on ASX in 2013-14.
- Modest growth in equity market turnover.
Industry Prospects (1)

- Financial System (Murray) Inquiry reports November 2014. Key issues include:
  - Regulatory architecture
  - Prudential framework
  - Funding regulatory agencies
  - Developing markets, including the corporate bond market

- G20 Meeting, Brisbane, November 2014. Agenda includes:
  - Global economic growth
  - Banking and OTC derivatives market reforms
  - Coordination of cross-border regulation
Industry Prospects (2)

- OTC derivatives market reform implementation
- Energy market – Government policy impact
- Move to T+2 industry-wide settlement
- Equities clearing and settlement infrastructure
  
  [http://www.marketstructure.co.uk/](http://www.marketstructure.co.uk/)
Cross-market Study (1)

Relationship between the fees for FMI trading and post-trading services (for institutional investors) and the value of trades

Source – Oxera
Cross-market Study (2)

Source – Market Structure Partners