



Country Report for Australia

19th Asia Securities Forum
Bangkok, 5-7 November, 2014

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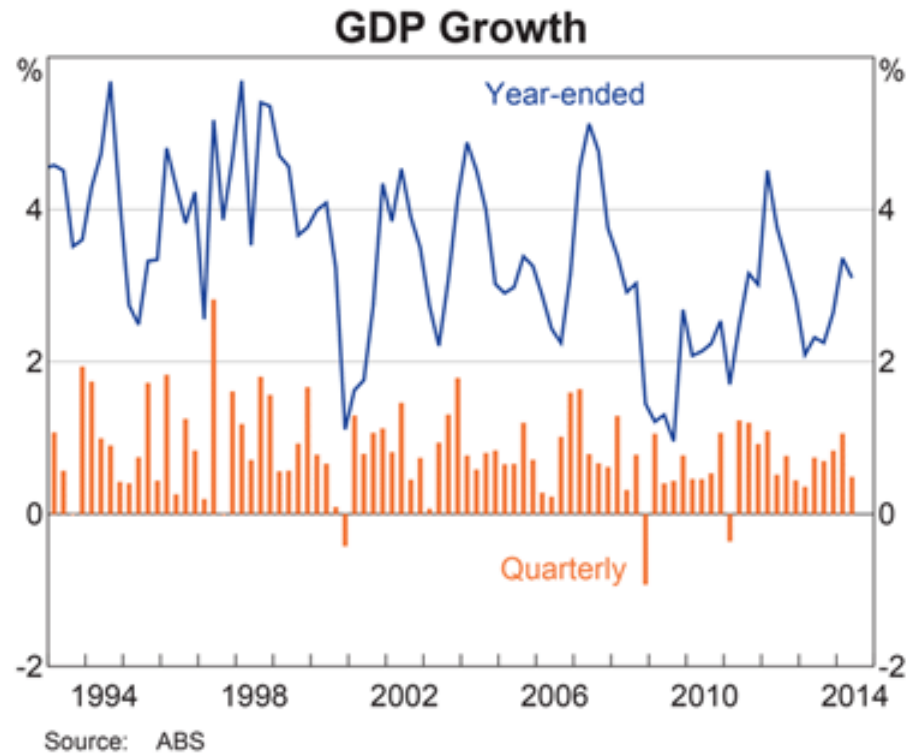


Report Overview

- Economy
- Financial markets
- Industry Prospects

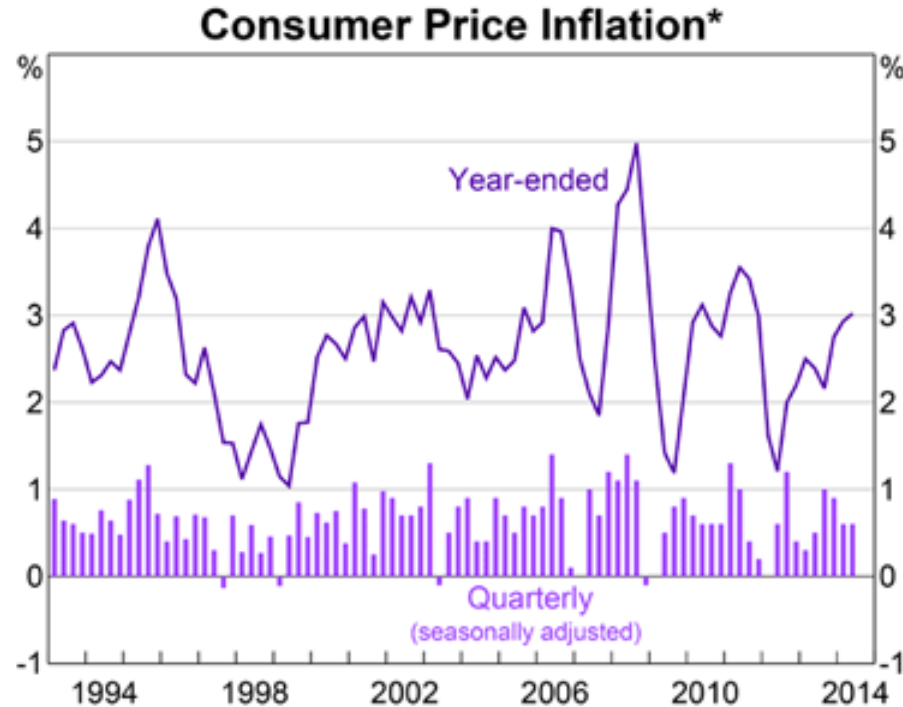
Economic Growth

- 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.

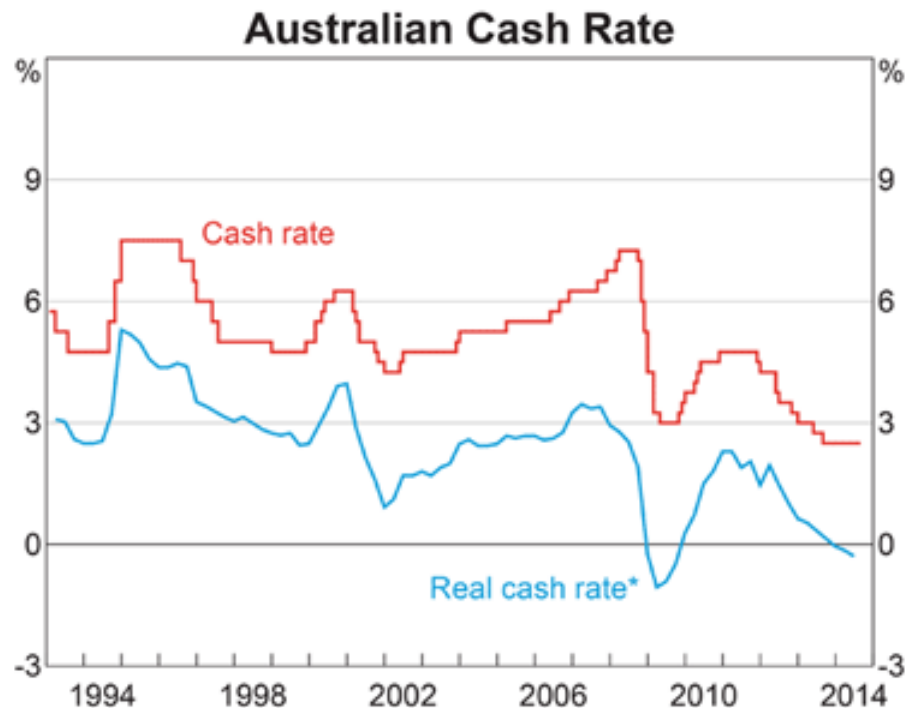


* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

Monetary Policy

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

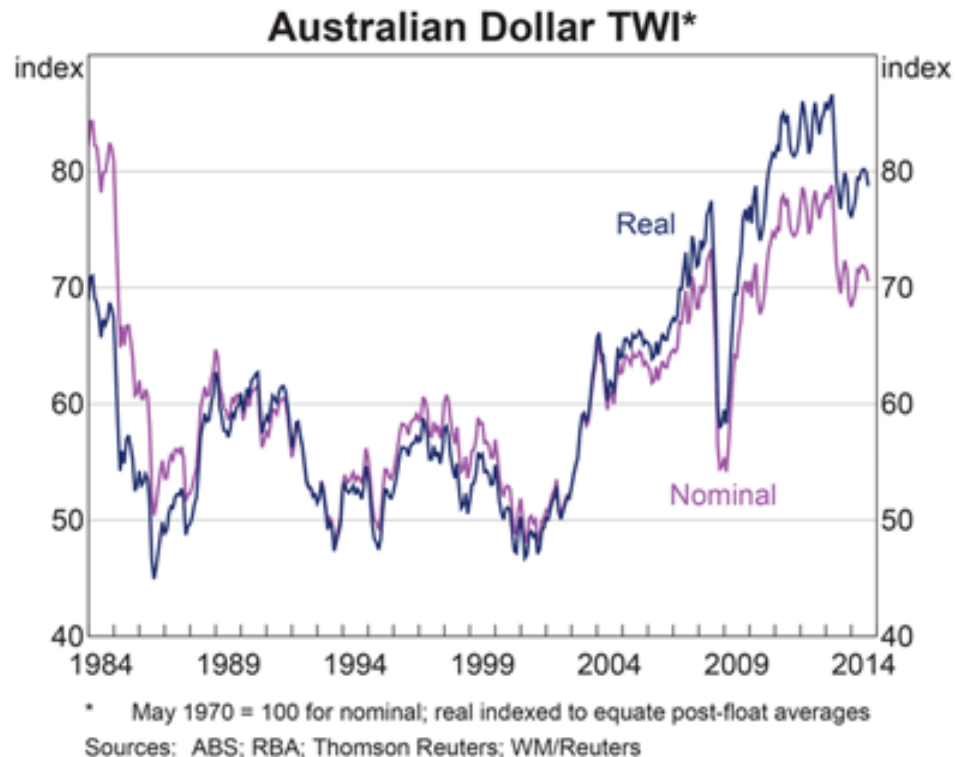


* Calculated using average of weighted median and trimmed mean inflation

Sources: ABS; RBA

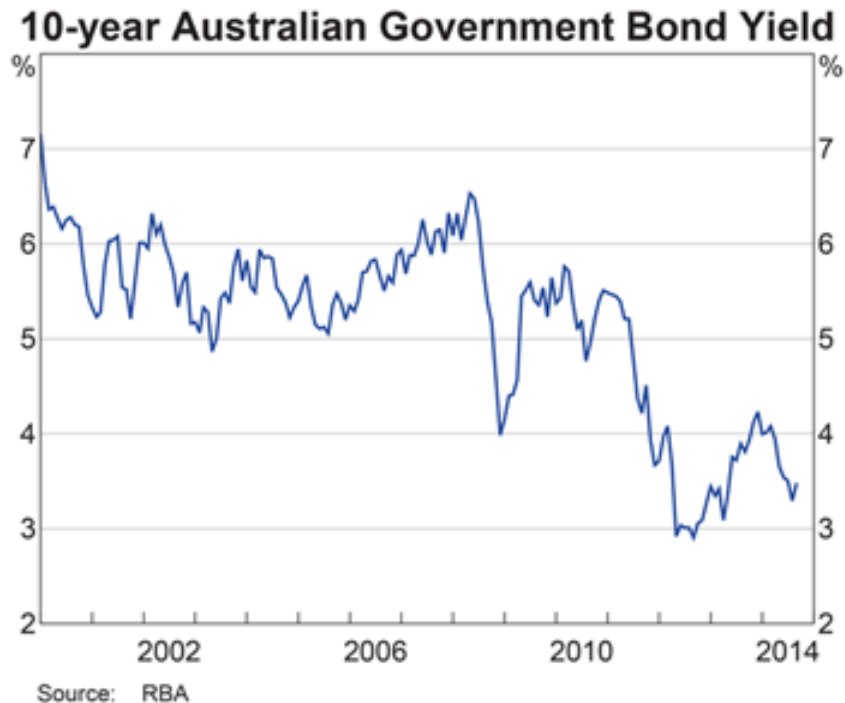
Exchange Rate

- 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.



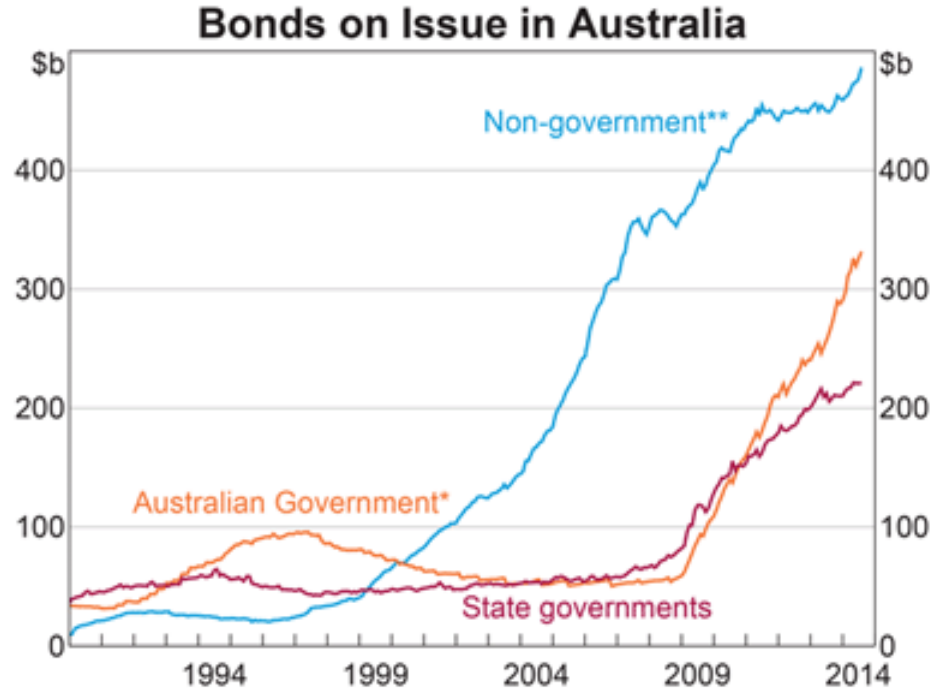
Interest Rates

- 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.



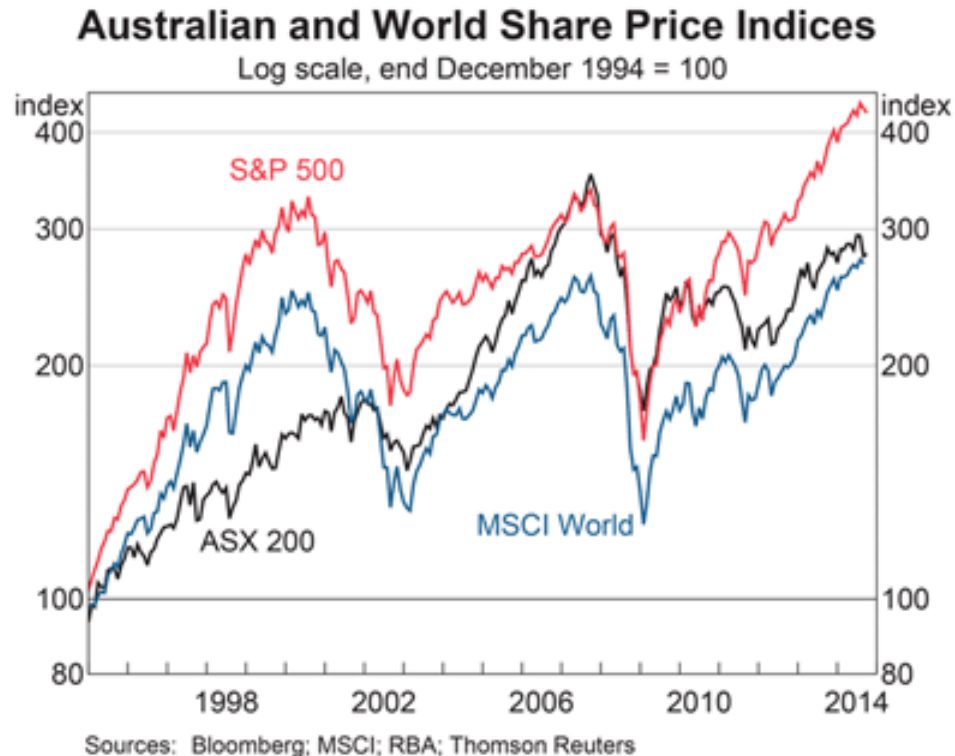
* Excludes bonds purchased by the Australian Government

** Excludes ADIs' self-securitisations, includes government-guaranteed bonds

Sources: ABS; RBA

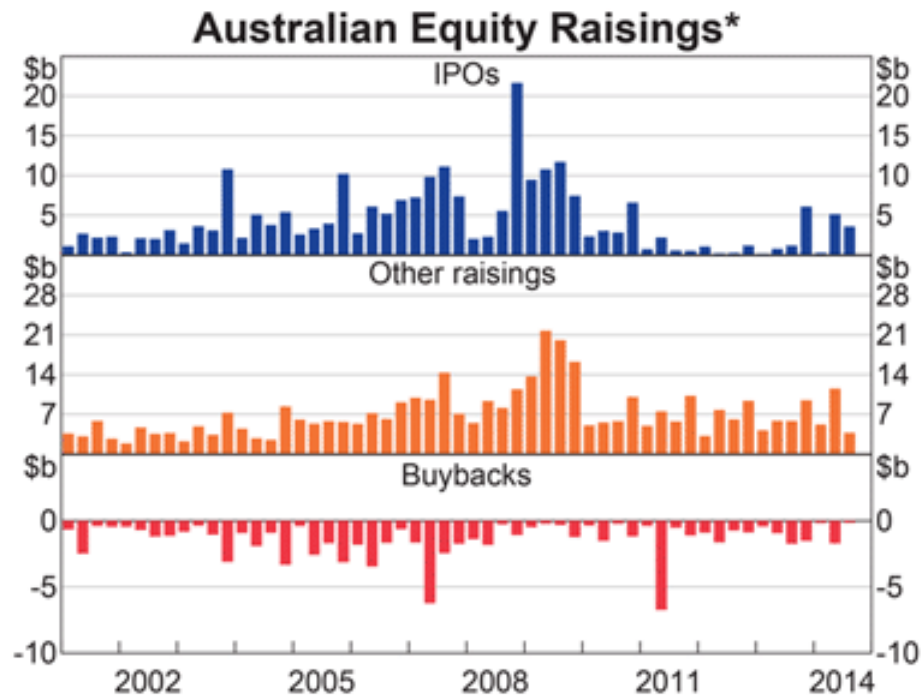
Equities

- 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.



* All listed companies
Sources: ASX; RBA



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

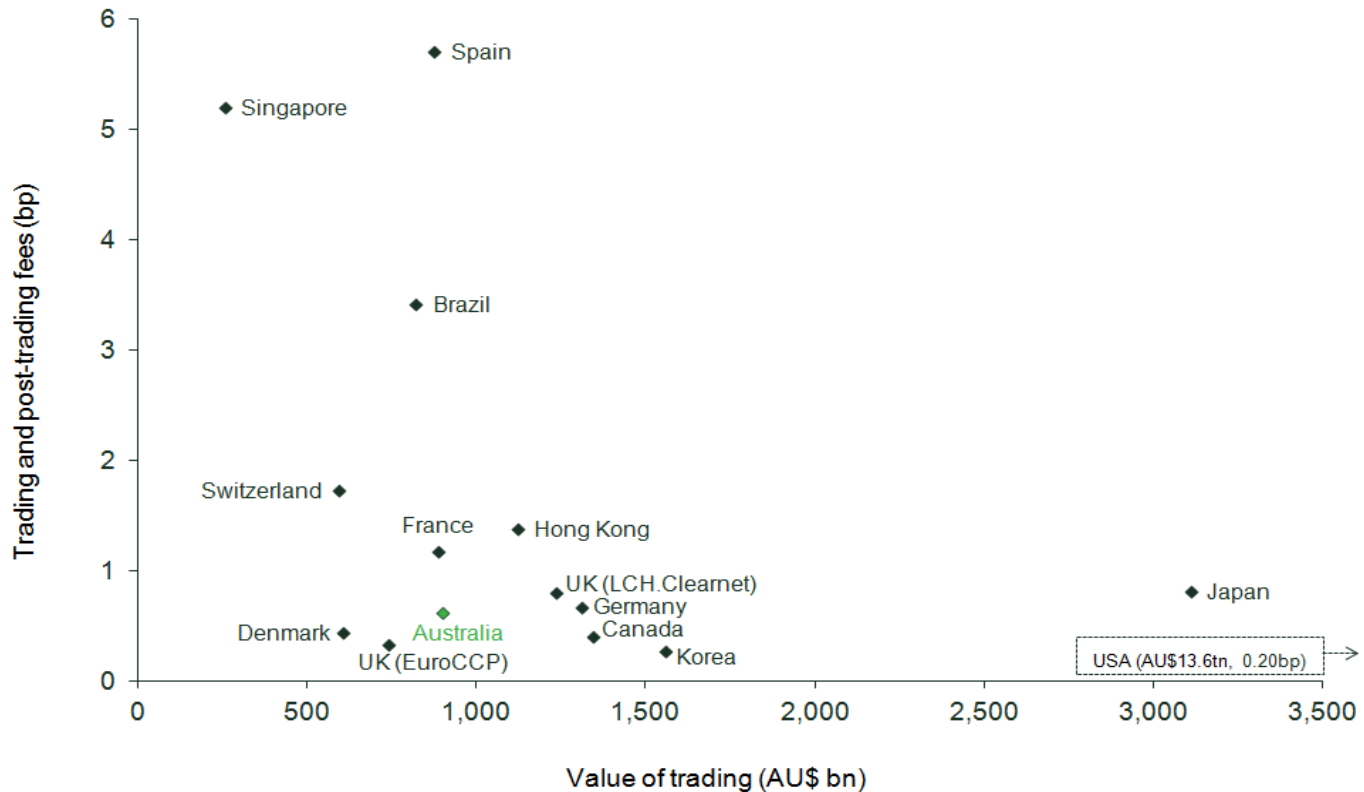


Industry Prospects (2)

- OTC derivatives market reform implementation
- Energy market – Government policy impact
- Move to T+2 industry-wide settlement
- Equities clearing and settlement infrastructure
<http://www.asx.com.au/cs/international-cost-comparisons.htm>
<http://www.marketstructure.co.uk/>

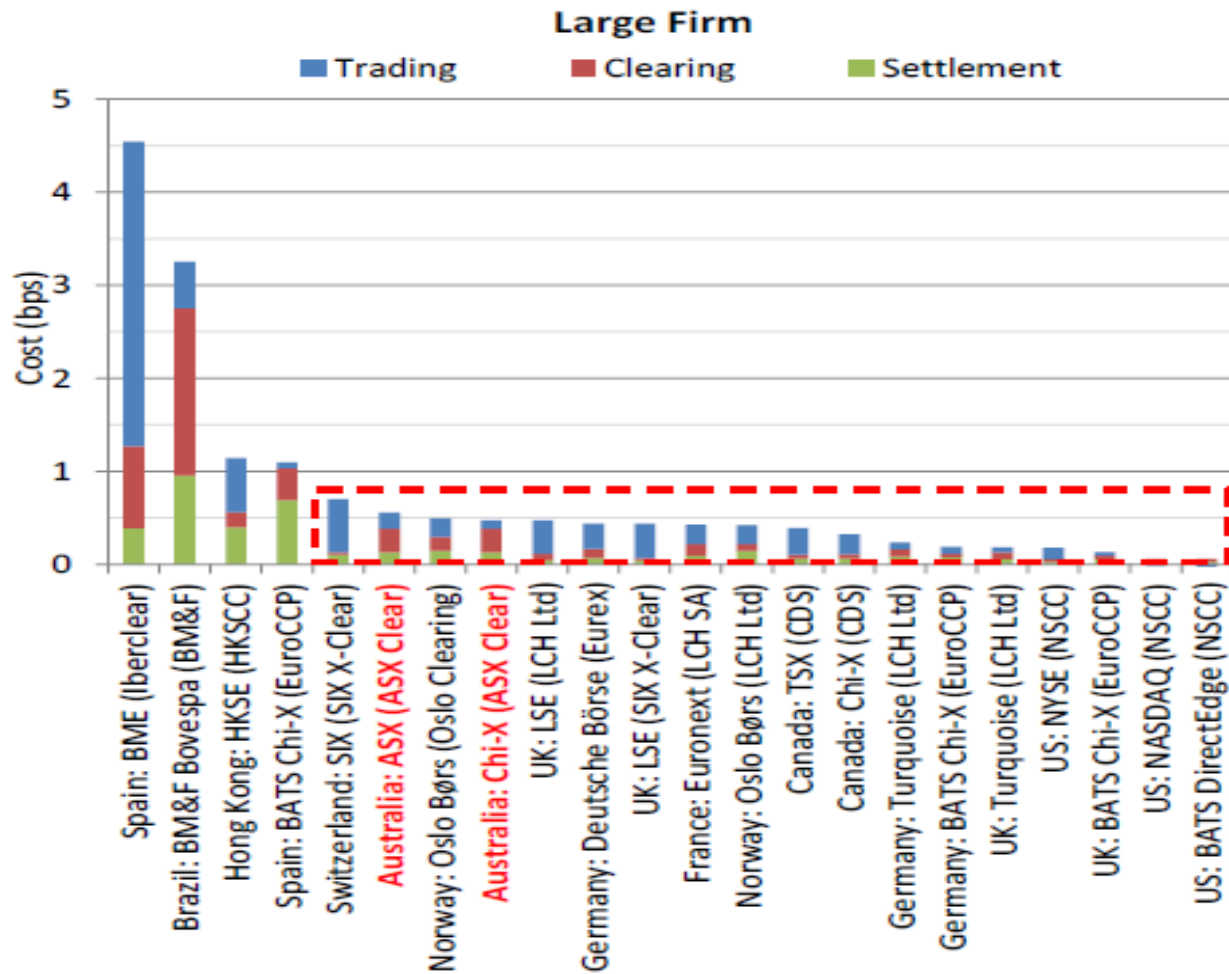
Cross-market Study (1)

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