Hot off the press

September 2011

by Michael Churchill

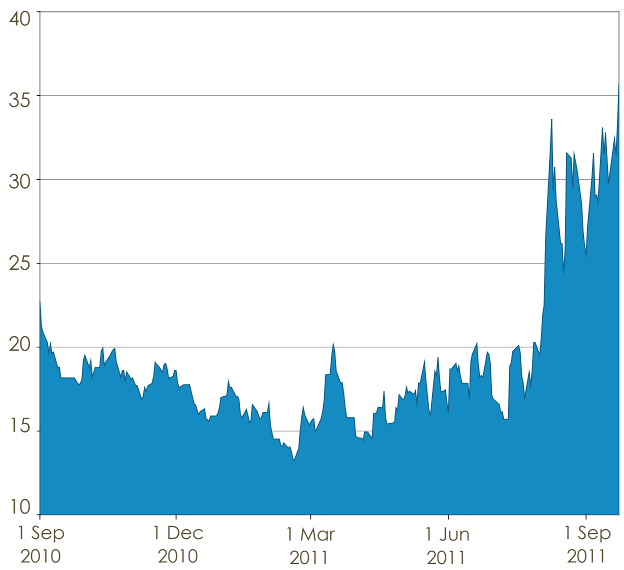
The prospect of GFC 2.0 has reared its head in recent months with the prospect of a double-dip recession in the US prompting 'QE2' (a second round of quantitative easing, i.e., the US Federal Reserve pump-priming the US economy for a second time).

The combined effects of the ongoing European sovereign debt woes, the near-default of the US and continued bad news on the weak US economy have caused fresh capital market re-ratings. Domestically, the likely introduction of a carbon tax, the strong AUD and the pending commencement of the Mining Resource Rent Tax have all impacted actual growth and growth expectations.

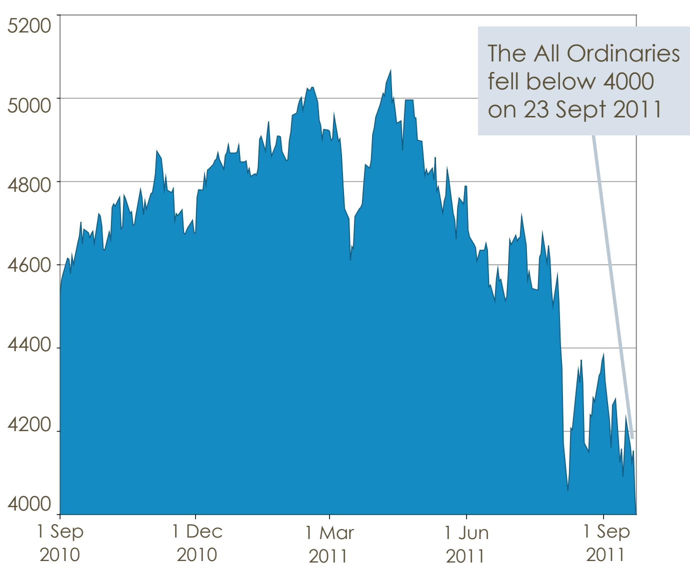
The consequence of these events has been a 20% fall in equity markets between June and end-September, an increase in market volatility to around 40% per annum and a reversal of the trend in credit spreads (which were showing some signs of returning to more 'normal' levels – although 'normal' might take on a new meaning). The following charts tell the story…

For more information, please contact MIchael Churchill on 03 9626 4300.

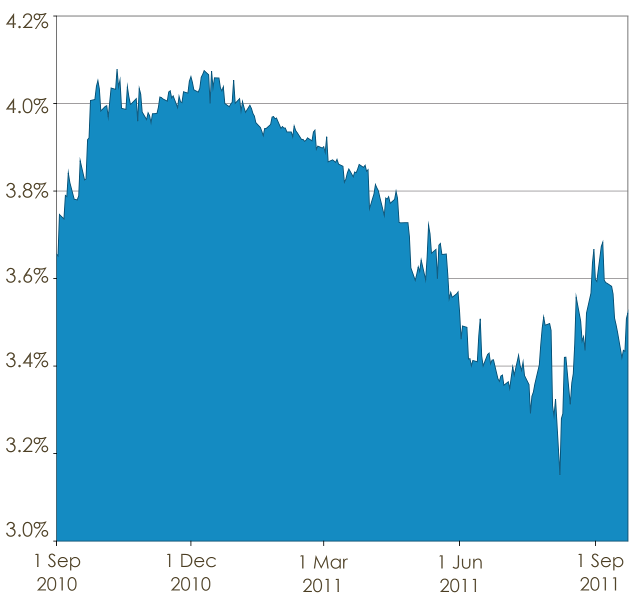
Equities Volatility (Australia)



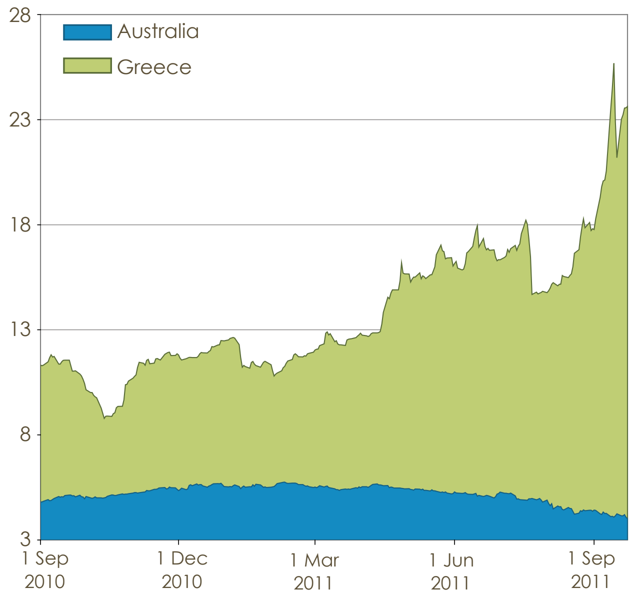
Australian All Ordinaries Index (ASX500)



BBB Spreads (Australia)



Greek and Australian Bond Rates



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