

INSIDE

The year ahead

What the experts think of shares.
Khia Mercer

Outlook

Better times ahead, but some risk to recovery.
Glenn Mumford

Banks

In good shape but still needed a government guarantee and injection of fresh capital.
Matthew Drummond

Credit markets

Blow-out in borrowing costs threatens to break financial banking system.
Brendon Lau

Resources

A tale of two halves thanks to BHP and Rio
Jo Clarke

Commodities

China holds the key to global turnaround.
Stephen Wyatt

Top 200

Performance of all stocks in the benchmark S&P ASX 200 Index

Round table

Fund managers tell what sectors and stocks to look out for.
Peter Wells

Wall Street

Unemployment and massive government debt add to recession woes.
Anthony Hughes

The economy

Australia has so far managed to avoid a recession, but can it last?
David Bassanese

Currency

The Australian dollar failed to make it to parity but starts to rebound.
Stephen Shore

Capital raisings

Banks refusing to lend sparks massive plunge for capital.
David Ciampa

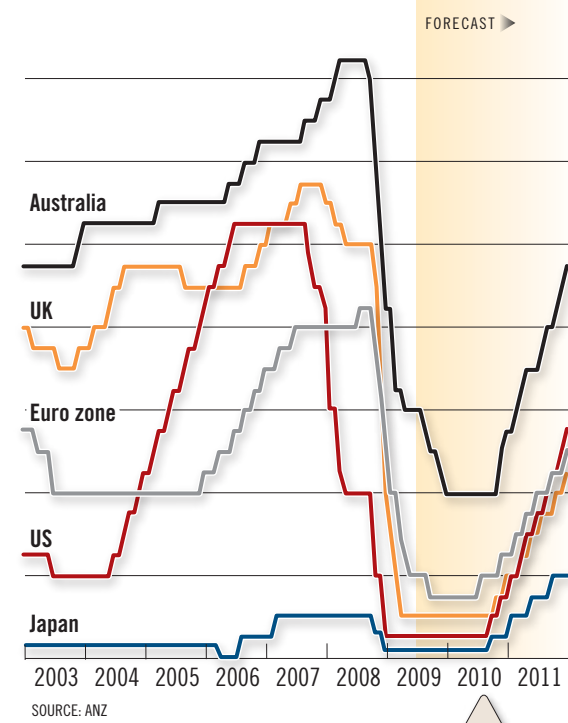
Listed property trusts

Another horror year for the sector.
Lisa Carapiet

Chanticleer

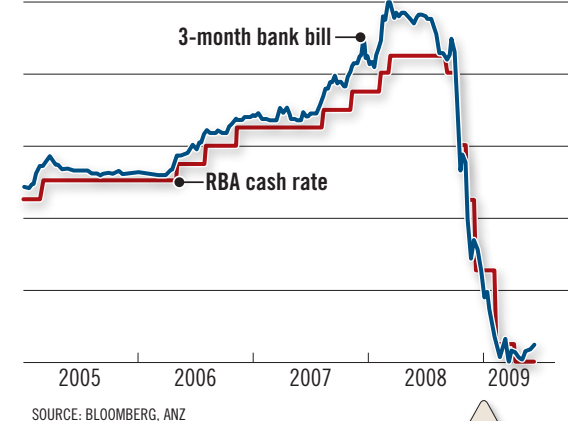
A year where all the experts didn't have a clue.

Global official interest rates (% pa)



Central banks around the globe slashed interest rates to record lows to combat the global credit crisis. The RBA slashed rates from 7.25 per cent to 3 per cent.

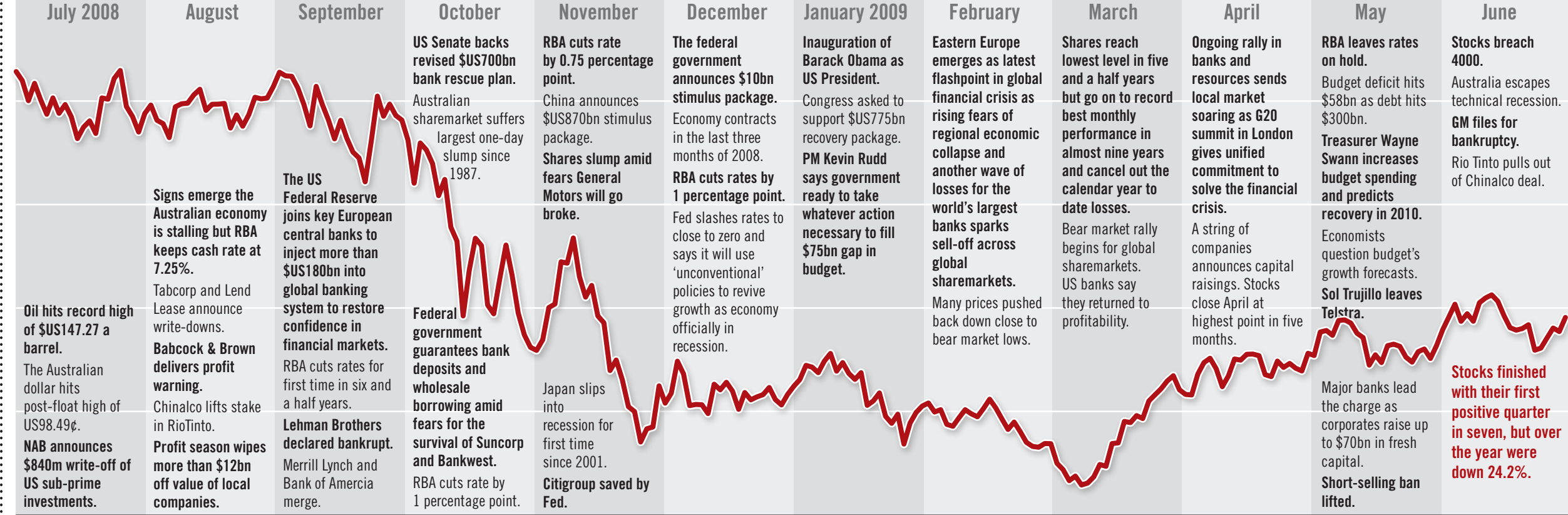
Australian 3-month bank bill v RBA cash rate (%)



The gap between the RBA cash rate and the lending rates banks charge each other soared as the financial system came close to failing but has fallen lately.

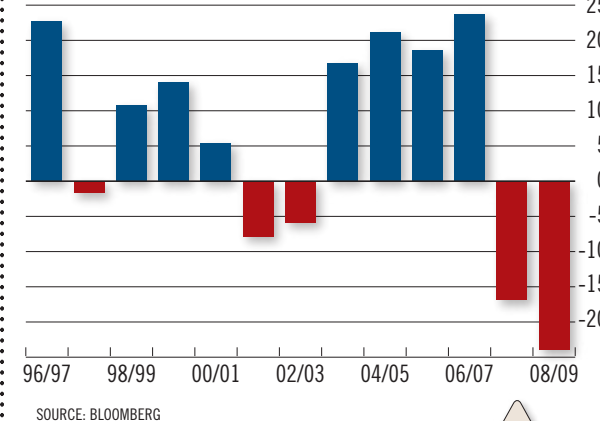
Australian equities

S&P/ASX 200 over past 12 months Daily (points)



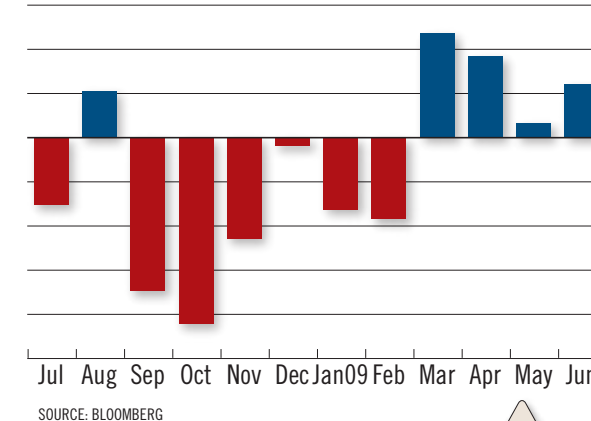
SOURCE: BLOOMBERG

S&P/ASX 200 during past financial years (% change)



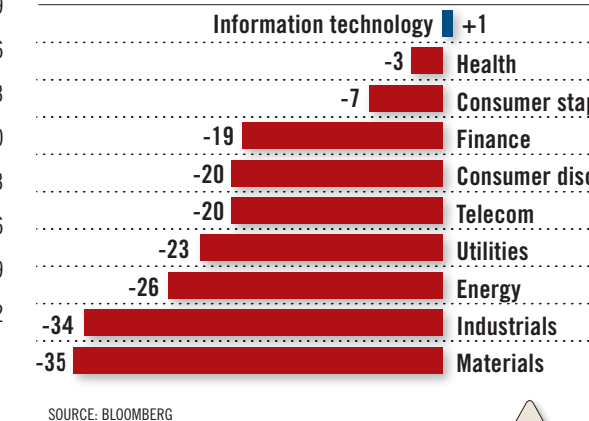
The sharemarket had its worse year since 1982. Its 42 per cent fall from the highs to the lows of the year was the biggest in 21 years.

Monthly performance of the S&P/ASX 200 Index (%)



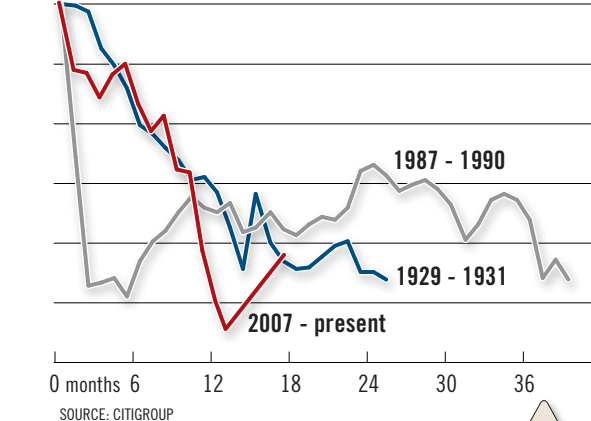
Only five months produced positive returns over the past year, with a strong finish thanks to gains in March, April, May and June. September through to February were all in the red.

S&P/ASX 200 sectors during past 12 months (% change)



Just one sector produced a positive return with the falling oil price hurting the energy sector and the global credit crisis hitting industrials and materials particularly hard.

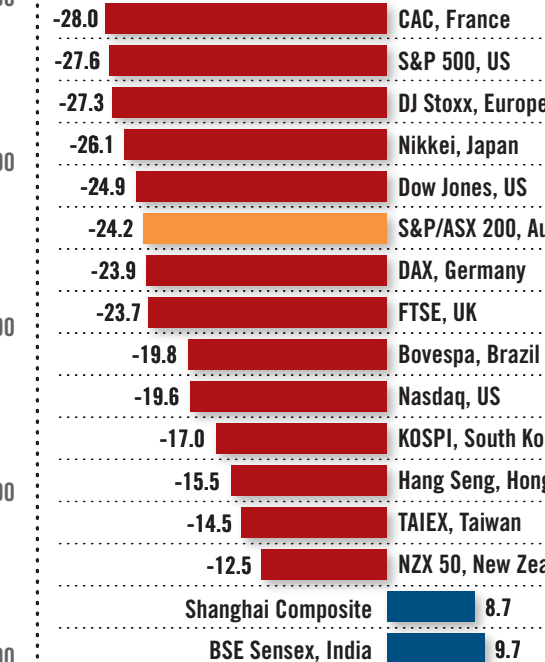
Australia's worst bear markets (%)



The bear market since late 2007 is one of the ASX's three worst. Prices more than halved in the first 15 months and are still languishing despite the recent recovery.

Global equities

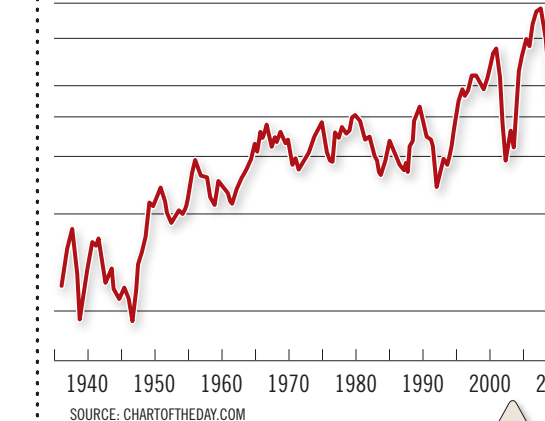
12-month performances of global sharemarkets (%)



SOURCE: BLOOMBERG

Fallout from the US sub-prime housing market and the fear of a global depression hit sharemarkets around the world. China and India eked out positive returns.

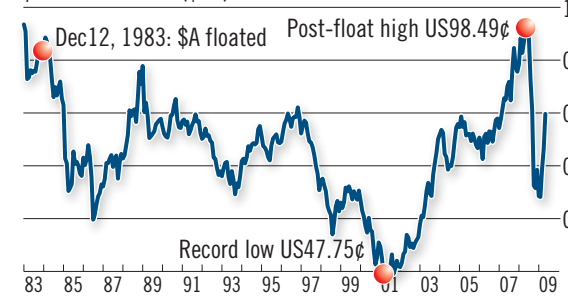
S&P 500 earnings inflation adjusted (\$US, semi-log scale)



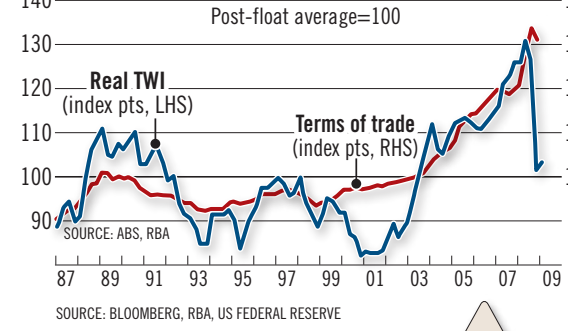
US banks reporting huge losses linked to investments in the sub-prime housing market were the driving force behind the record collapse in earnings.

Australian dollar

\$A since its float (\$US)

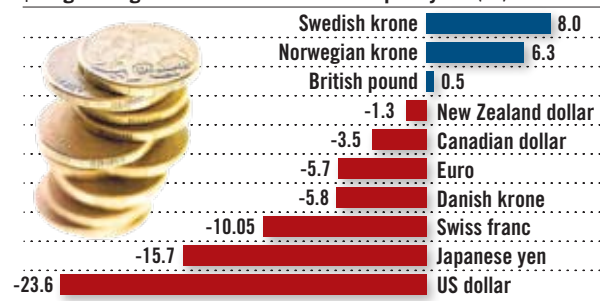


Real exchange rate and terms of trade



The \$A went close to trading at parity with the US dollar when it reached a post-float record high of US98.49¢ in July. Falling commodity prices hurt the terms of trade.

\$A's gains against G10 currencies over past year (%)



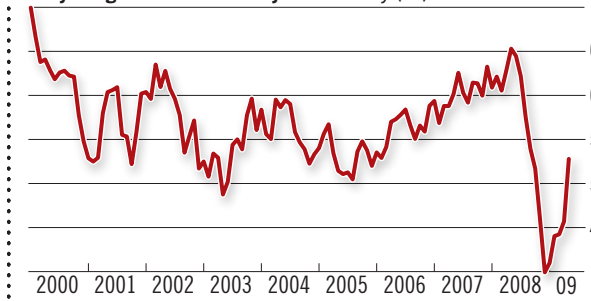
Difference between Australian and US cash rates (% points)



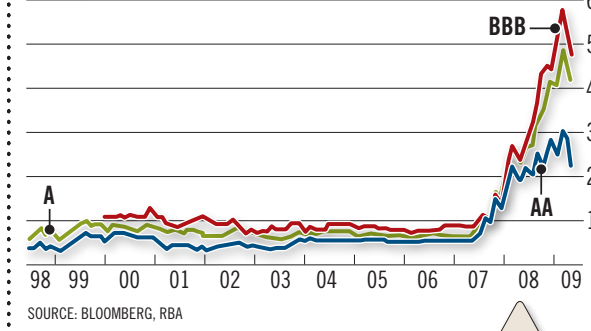
Australia's yield advantage over the US shrank as the RBA slashed rates faster and from a higher level than the US Federal Reserve.

Debt

10-year government bond yield Monthly (%)

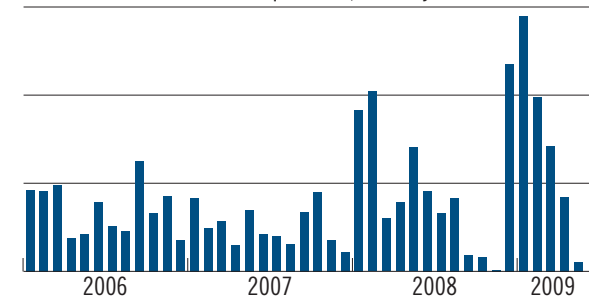


Corporate bond spreads (bp)

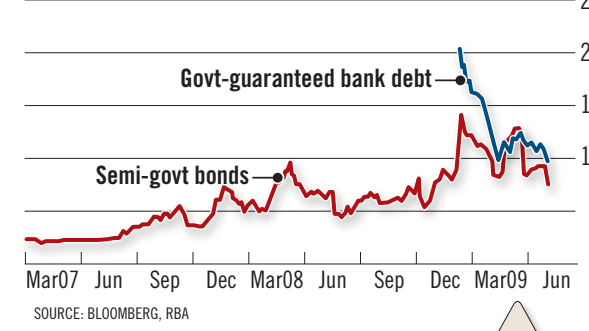


The 10-year bond yield slumped to multi-decade lows as investors feared the worst economic period since the Great Depression.

Banks' bond issuance \$A equivalent, monthly (\$bn)



Spreads to 5-year government bonds (bp)



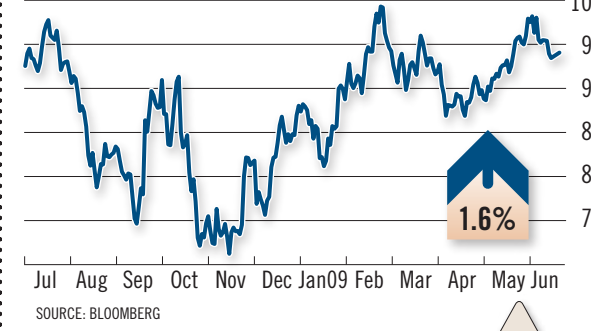
Banks managed to issue bonds but only with the help of the government guarantee. Spreads on bank debt have declined with banks beginning to issue without the guarantee.

Commodities

Oil price (\$US/barrel)



Gold price (\$US/oz)



Gold was bought by investors seeking safe havens as equity markets went haywire. Oil prices halved as economists slashed their forecasts for world growth.

Baltic dry index (points)



Copper price (\$US/tonne)



The Baltic dry index is a closely watched measure that reflects shipping prices for bulk cargoes that underpin economic growth, of which copper is a leading indicator.