

ECONOMIC STATISTICS SUMMARY

Country	Cash Rate		Inflation Rate (%)		Unemployment Rate (%)		GDP Annual Growth (%)	
	Latest	Last Change	Latest	Change	Latest	Change	Past Year	Change
Australia	4.25	-0.25 (Dec-11)	3.50	↔	5.30	↑ 0.10	2.50	↔
USA	0.25	-0.75 (Nov-08)	3.50	↔	8.60	↓ 0.40	1.50	↔
Japan	0.10	-0.20 (Nov-08)	-0.20	↓ 0.20	4.50	↑ 0.30	-0.70	↓ 1.00
UK	0.50	-0.50 (Feb-09)	5.16	↓ 0.34	8.30	↔	0.50	↔
China	6.56	+0.25 (Feb-11)	4.20	↓ 1.90	4.10	↔	9.10	↔
Europe	1.00	-0.25 (Dec-11)	3.00	↔	10.30	↑ 0.10	1.40	↔

AUSTRALIAN ECONOMIC COMMENTARY

The RBA Board decided to lower the cash rate again by 25 basis points (bps) to 4.25% effective December 7th. Glenn Stevens cited that European sovereign credit and banking issues along with precautionary behaviour by firms and households has increased the likelihood of further material slowing in global growth.

Quarterly GDP growth was in line with expectations at 1.0% whereas the Trade Balance was below expectations again, down to \$1.6 billion reflecting the continued impact of declining commodity prices. Australian job advertisements were flat 0.7% month to month (m/m), while unemployment surprised on the downside increasing to 5.3%.

In other releases: Retail sales were up 0.2% m/m slightly below expectations, NAB Business confidence remained positive (>0) at 2, while the Westpac Consumer Sentiment Index missed expectations down to -8.3. On the housing front, domestic home loans exceeded expectations up 0.7% m/m, while building approvals surprised on the downside for the second consecutive month declining 10.7% m/m.

GLOBAL ECONOMIC COMMENTARY

In Europe the ECB cut its main interest rate by 25bps to 1.0%, the ECB is also attempting to support Euro banking system liquidity by offering unlimited 3 year loans to the regions banks, replacing the previous 1 year loans, while broadening the range of accepted collateral banks must put up to access the loans. The ECB also reduced the reserve ratio from 2% to 1%. However the ECB minutes did not make mention any intention to step up its bond purchasing program to contain the sovereign debt issues, disappointing the market's expectations, which was reflected in stock markets around the world.

On November 23rd markets were rocked when Germany failed to sell the full offering of a €6 Billion 10 year bond issue expiring in January 2022, with the Bundesbank under the German auction system retaining around 39% of the issue, as commercial banks only purchased around €3.64B. The embattled Euro was dealt further negative news as 15 of the European countries were put on negative credit watch by S&P along with the ESFS.

In an attempt to battle the liquidity and insolvency issues plaguing Euro markets, 26 of the 27 Euro Zone (EZ) countries agreed to further fiscal integration, with the notable rejection coming from the UK, the absence of unanimity means the new deal will not be a treaty but rather an agreement between governments. The members will be required to introduce the new fiscal rule to their national legal systems, at the constitutional level (or equivalent). The deal will limit government budget deficits and include an automatic correction mechanism for those who deviate from the restrictions. It should be noted the deal is far from being finalised, with some market commentators raising doubts on the deals ability to generate the required confidence and liquidity needed in the debt markets, considering Italy alone needs to roll over €311 billion in 2012. The member states also have 10 days to confirm the proposed provision of additional resources to the IMF (€200 billion).

European unemployment exceeded estimates ticking higher again to 10.3% and while German Economic Sentiment surprised estimates at -53.8, however it is still deep in negative territory with 0.00 being neutral.

The Federal Reserve announced no additional measures to spur growth in the US, leaving rates on hold and giving no indication of further quantitative easing (QE3). The Committee cited moderate economic growth, improvement in labour market conditions and stable longer-term inflation expectations for their decision. The lack of action led to a firming of the USD against most major currencies.

US Economic data released late November to mid December continued to be somewhat mixed. Prelim GDP quarter on quarter (q/q) was below expectations at 2.00%, Factory Orders continued to decrease -0.4%, Retail Sales m/m were also below analyst predictions at 0.2%. The good news from the US was the drop in unemployment to 8.6% which surprised most. US housing market data was fairly flat with existing home sales down marginally to 4.79M and new home sales were below expectations at 307K.

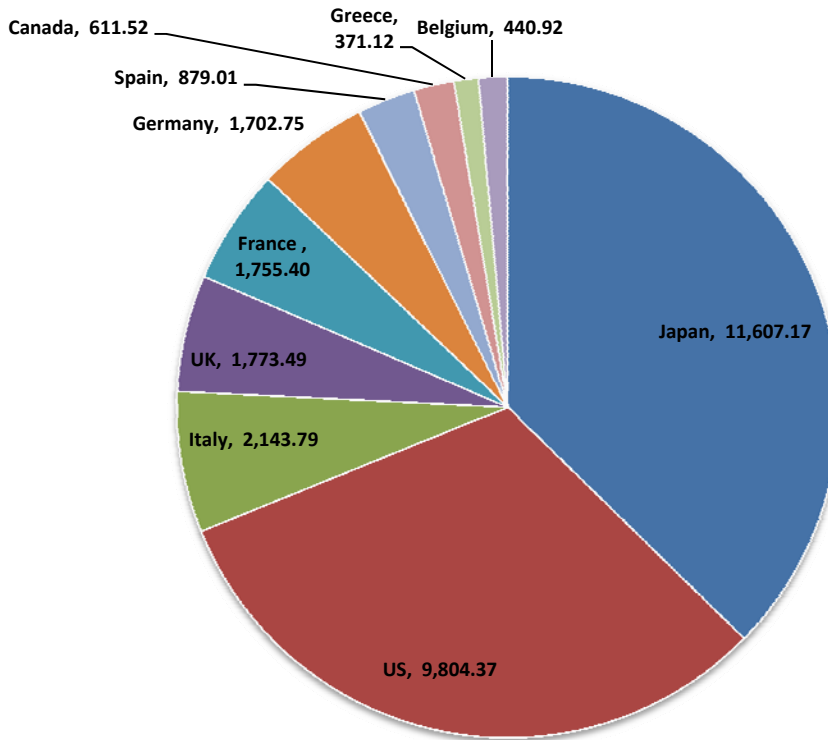
Asian data was mostly negative; the HSBC Flash Manufacturing PMI Index from China returned to negative territory 48.0; month to month CPI decreased -0.2%, while PPI y/y slightly missed expectations at 2.7%. Unemployment in Japan was up 30bps to 4.50%, while retail sales y/y exceeded expectations at 1.9%.

SOVERIEGN DEBT

The world's top ten sovereign debt issuers by size have liabilities slightly over \$31 trillion (USD). Seven of the ten countries are members of the embattled Euro Zone, while the two largest are the Japan and the USA. All of the ten countries are currently running a budget deficit with most respectable being Canada at -2.3%, the remaining nine are all greater than -4.0%. Cost of debt has also increased for a number of these countries with Greece and Italy both recently experiencing increasing bond yields with 10 year yields now 29.5% and 6.5% respectfully (as at 12/12/11).

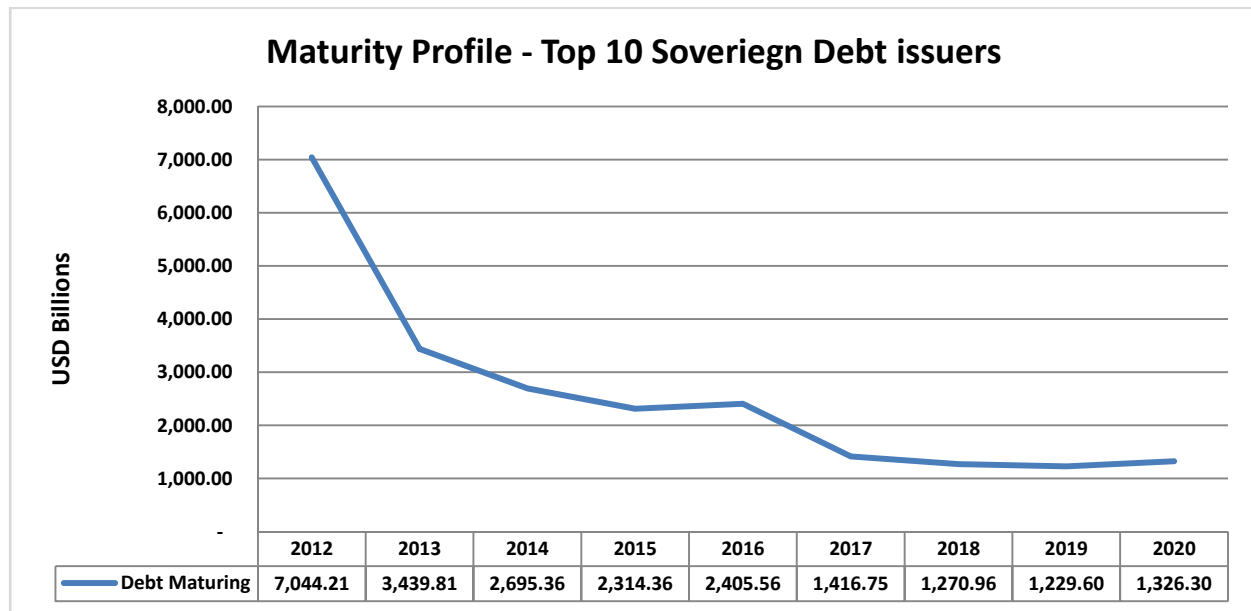
On December 14, the Euro Zones first long term bond issuance since the European Union announced steps towards tighter fiscal integration; Italy was able to sell €3 Billion worth of 5-year government bonds, however with funding cost blowing out to 6.5%, this is likely to be an unsustainable level for a county with a debt to GDP ratio of around 120%.

Largest 10 Sovereign Debt Issuers (USD Billions)



Source: Bloomberg

SOVERIEGN DEBT CONT'D



Source: Bloomberg

The debt maturity profile of the 10 largest debtor nations shows the impending maturity spike to come in the next 12 months. Only the UK has a weighted average years to maturity of greater than 10 years. The ECB has supported Italian and Spanish Government bonds with purchases in the secondary market since early August, however there are some major hurdles to come with Italy, Spain and France needing to roll over US\$340 billion in Q1 2012 alone. Over 22% of the top 10 debtor countries debt is due to roll over in 2012, which is more than double that due in 2013.

Country	Total Debt (USD Billion)	Debt Maturing 2012	Wt Avg Years to Maturity	GDP (USD Billions)	Budget	10 year Yld	Jobless Rate
Japan	11,607.17	2,819.53	5.84	5,498.00	-7.4%	0.996%	4.5%
US	9,804.37	2,458.95	5.17	14,582.00	-10.3%	2.026%	8.6%
Italy	2,143.79	427.87	7.06	2,051.00	-4.6%	6.504%	8.5%
UK	1,773.49	161.33	14.04	2,246.00	-10.3%	2.098%	8.3%
France	1,755.40	353.96	7.11	2,560.00	-7.1%	3.265%	9.7%
Germany	1,702.75	369.62	5.59	3,310.00	-4.3%	2.014%	6.5%
Spain	879.01	185.48	6.14	1,407.00	-9.3%	5.710%	21.5%
Canada	611.52	207.75	5.74	1,574.00	-2.3%	2.003%	7.4%
Greece	371.12	59.74	6.88	305.00	-10.6%	29.534%	17.5%
Belgium	440.92	80.66	6.67	467.00	-4.1%	4.479%	6.8%

Source: Bloomberg (12/12/11) & Tradingeconomics

While the majority of the top ten debt issuers are still considered solvent (with the exception of Greece), material issues will arise if market fears are not addressed to ensure sufficient market liquidity. The market's reaction to the most recent EZ efforts, would suggest they have more work to do.

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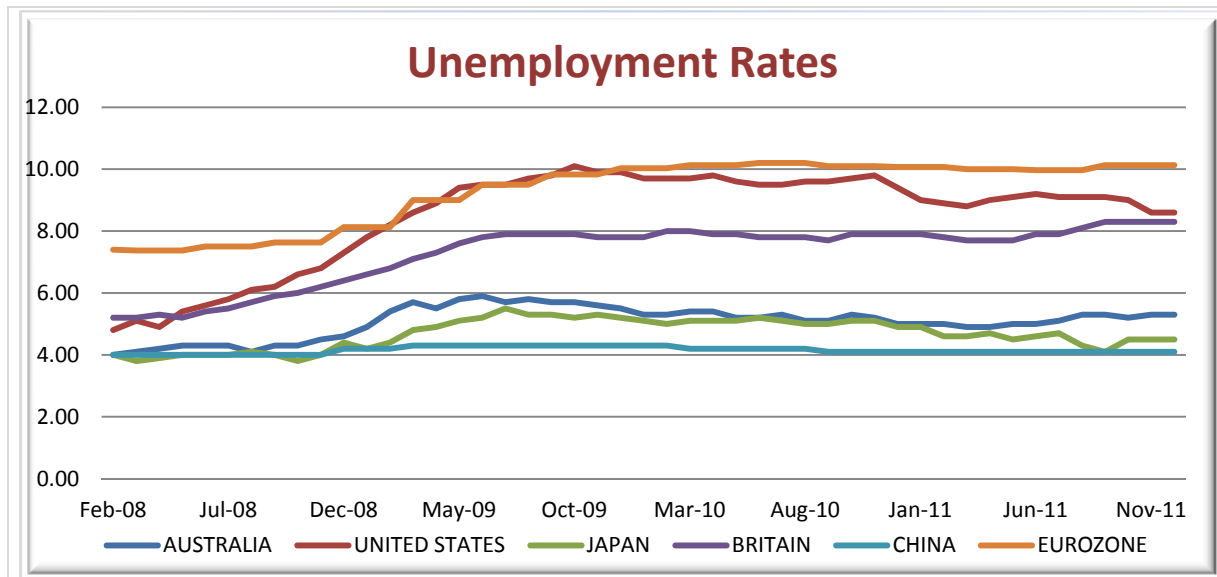
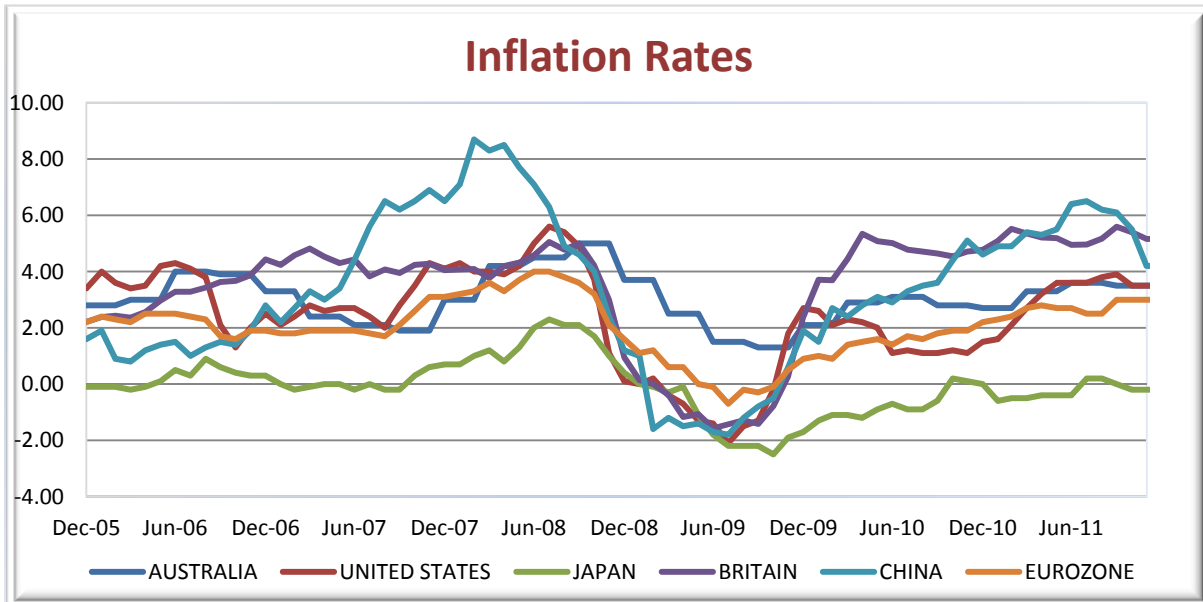
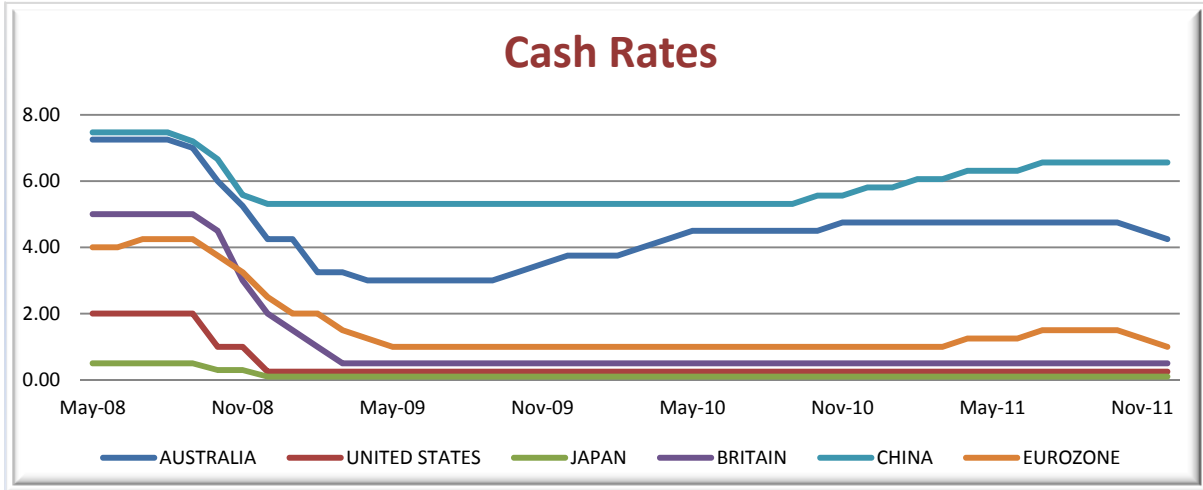


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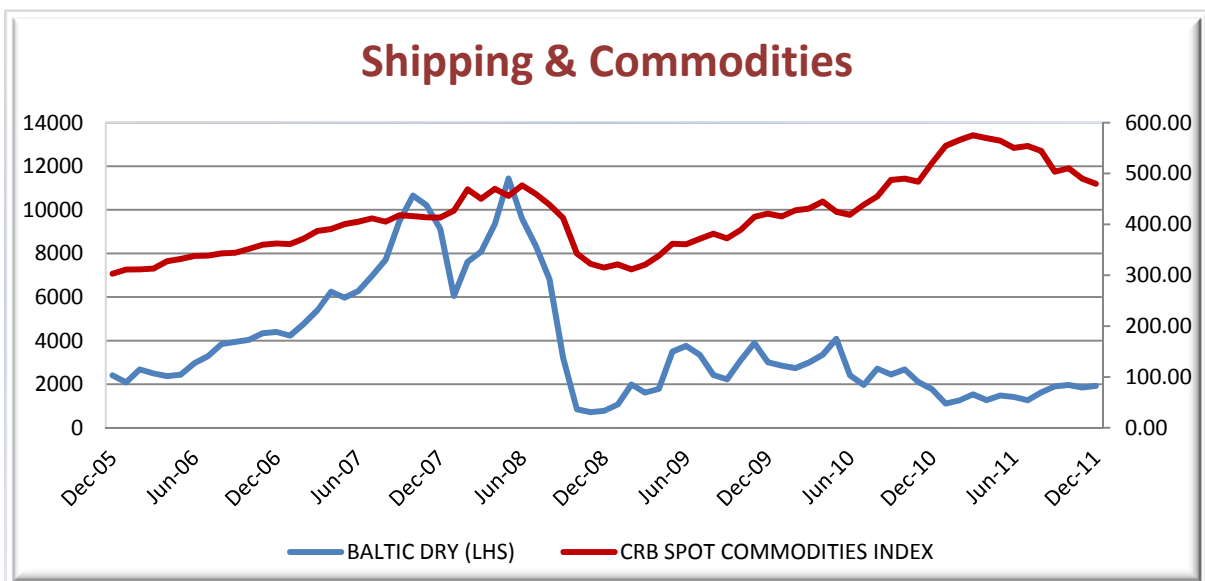
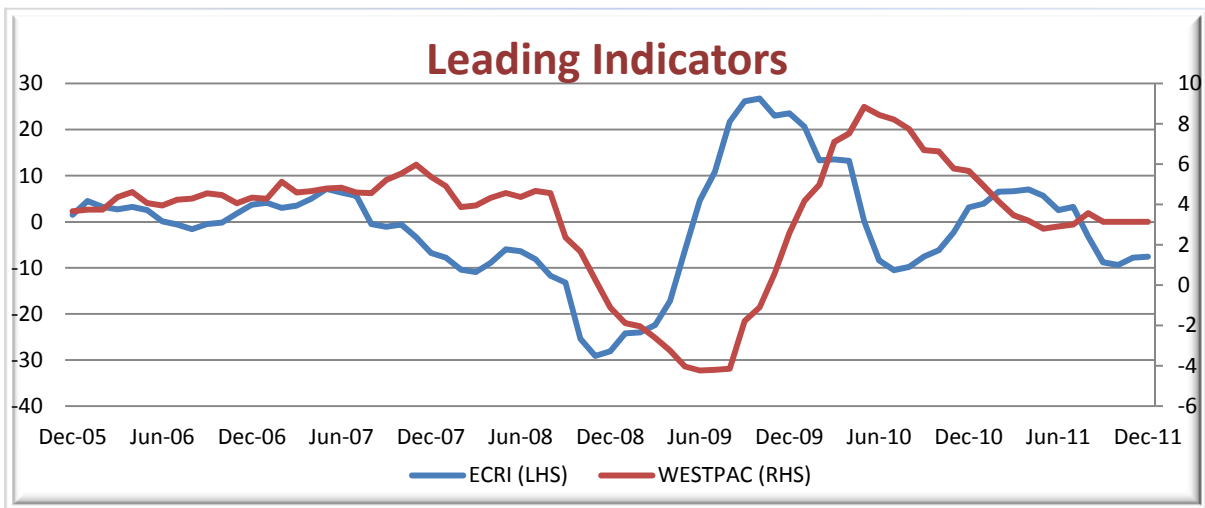
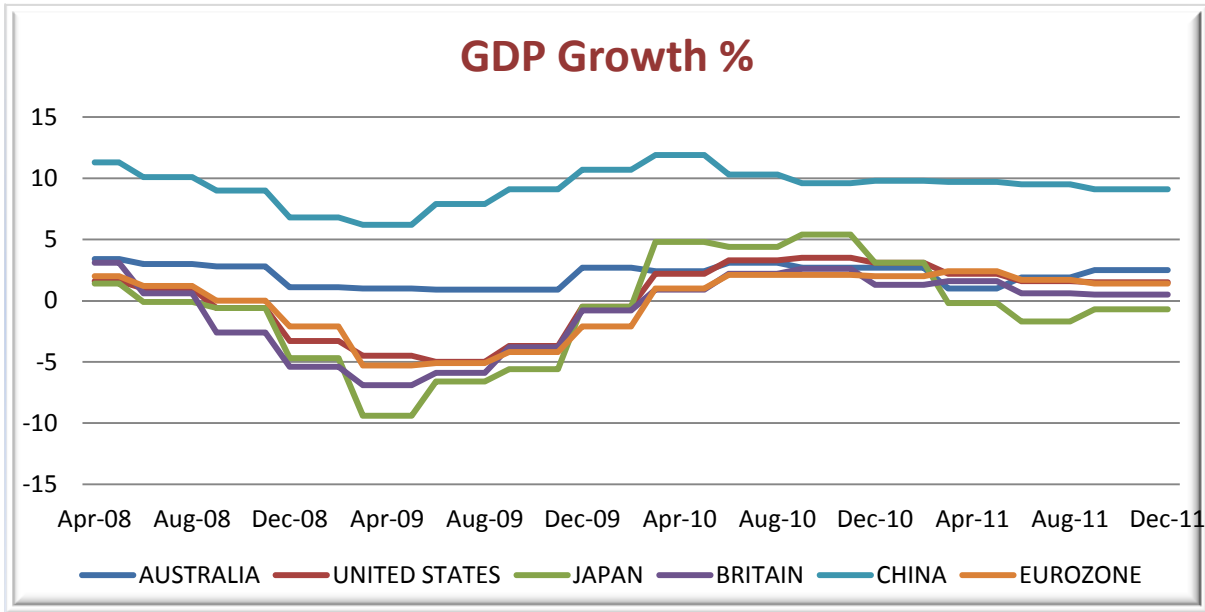
ECONOMIC DATA RELEASE - (MID NOVEMBER TO MID DECEMBER)

Release Date	Country	Data	Actual	Forecast	Prior
21/11/2011	USA	Existing Home Sales	4.79m	4.82m	4.9
22/11/2011	USA	Prelim GDP q/q	2.00%	2.40%	2.50%
23/11/2011	Europe	Flash Manufacturing PMI	47.8	46.1	46.4
23/11/2011	China	HSBC Flash Manufacturion PMI	48		51
28/11/2011	USA	New Home Sales	307k	313k	303k
28/11/2011	Japan	Retail Sales y/y	1.9%	0.7%	-1.1%
29/11/2011	Japan	Unemployment rate	4.50%	4.20%	4.10%
30/11/2011	Australia	Building Approvals m/m	-10.70%	3.60%	-14.20%
30/11/2011	Australia	Retail Sales	0.2%	0.4%	0.4%
30/11/2011	China	Manufacturing PMI	47.7		48
30/11/2011	Europe	Unemployment rate	10.3%	10.2%	10.2%
01/12/2011	USA	Unemployment Claims	402k	390k	396k
02/12/2011	USA	Unemployment rate	8.60%	9.00%	9.00%
04/12/2011	Australia	ANZ Job Advertisement m/m	0%		0.6%
05/12/2011	USA	Factory Orders	-0.4%	-0.2%	-0.1%
05/12/2011	Europe	Retail Sales m/m	0.4%	0.2%	-0.6%
06/12/2011	China	Foreign Currency Reserves	229.3B		245.0B
06/12/2011	China	CPI m/m	-0.20%	0.10%	-0.10%
06/12/2011	Aus	GDP q/q	1.0%	1.0%	1.4%
07/12/2011	UK	Manufacturing Production m/m	-0.7%	-0.1%	0.1%
07/12/2011	Australia	Unemployment rate	5.3%	5.2%	5.2%
08/12/2011	China	CPI y/y	4.2%	4.6%	5.5%
09/12/2011	China	PPI y/y	2.7%	3.3%	5.0%
09/12/2011	Europe	German Trade Balance	12.6B	14.5B	15.1B
11/12/2011	Australia	Home Loans m/m	0.70%	0.10%	1.90%
11/12/2011	Australia	Trade Balance	1.6B	2.03B	2.25B
12/12/2011	Australia	NAB Business Confidence	2		2
12/12/2011	Australia	Housing Starts q/q	-6.8%	-1.0%	-4.1%
13/12/2011	USA	Retail Sales m/m	0.2%	0.6%	0.6%
13/12/2011	Europe	German ZEW Economic Sentiment	-53.8	-56.1	55.2
13/12/2011	Europe	Economic Sentiment	-54.1	-60.3	-59.1

ECONOMIC DATA GRAPHS



ECONOMIC DATA GRAPHS



DATA SOURCE: BLOOMBERG

BLOOMBERG DATA SERIES

CHART	BLOOMBERG DATA SERIES
CASH RATES	Australia RBA Cash Rate Target
	Federal Funds Target Rate US
	Bank Of Japan Target Rate of Unsecured Overnight Call Rate Expected
	UK Bank of England Official Bank Rate
	China 1 Year Best Lending Rates
	ECB Main Refinancing Rate
CPI	Australia CPI All Groups Goods Component YoY
	US CPI Urban Consumers YoY NSA
	Japan CPI Nationwide YoY
	China CPI YoY
	UK RPI YoY NSA
GDP	Australia GDP SA YoY
	GDP US Chained 2005 Dollars YoY SA
	Japan GDP Real Chained NSA YoY%
	UK GDP Chained GDP at Market Prices YoY
	China GDP Constant Price YoY
UNEMPLOYMENT	US Unemployment Rate Total in Labor Force Seasonally Adjusted
	Australia Labor Force Unemployment Rate SA
	Japan Unemployment Rate SA
	UK Unemployment ILO Unemployment Rate SA
RETAIL SALES	Australia Retail Sales YoY SA
	US Adjusted Retail & Food Services Sales Total Yearly % Change SA
	Japan Retail Trade YoY NSA
	UK Retail Sales All Retailing Sales Per Week Chained Volume YoY SA
HOUSE/LAND PRICES	Australia House Price Index Established Homes YoY 2003-2004=100
	S&P/Case-Shiller Composite-20 City Home Price Index YoY (US)
	Japan Land Prices Nationwide All YoY%
	UK Nationwide House Prices All Houses YoY NSA
HOUSEHOLD CONSUMPTION	China Land Transaction Price YoY
	Australia GDP Final Consumption Expenditure Households QoQ SA
	Eurostat GDP Constant 2000 Prices Eurozone Household Consumption Expenditure QoQ
	Japan GDP Chained Real Private Consumption QoQ% SA
	UK GDP Final Consumption Expenditure Chained Prices Household Expenditure QoQ
CONSUMER & BUSINESS CONFIDENCE	GDP US Personal Consumption Chained 2005 Dollars % Change SAAR
	Westpac-Melbourne Institute Consumer Confidence Consumer Sentiment
	Westpac-Melbourne Coincidence Index
	National Australia Bank Business Indicators Business Confidence SA
LEADING INDICATORS	Baltic Dry Index
	CRB Spot Commodities Index
	ISM Manufacturing PMI SA
	Manufacturing PMI China
	Australia Westpac Leading Index Annualised Growth YoY%
	ECRI Weekly Leading Index Growth Rate

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