

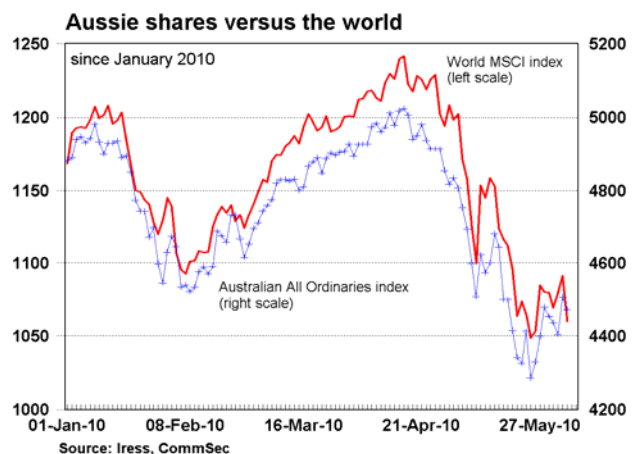
# Australian shares: Facts & figures

## Financial market issues

- The Australian sharemarket is falling in line with global markets today. At the time of writing both the All Ordinaries and ASX 200 were lower by around 120 points or 2.7 per cent.
- While there is a perception that the Australian sharemarket should reflect trends in the Australian economy, the reality is that market remains hostage to global developments.

### What do the figures show and what does it all mean?

- At the end of 2009 the World Federation of Exchanges estimated that the capitalisation of the Australian sharemarket was US\$1261.9 billion (\$1407 billion) or 2.6 per cent of world sharemarket capitalisation.
- Currently the Australian sharemarket is valued at around \$1400 billion. Every 1 per cent move in the market translates to around \$14 billion.
- The US New York Stock Exchange represents around 24 per cent of world sharemarket capitalisation with the Tokyo stock exchange around 7 per cent of the world market.
- The Resources sector accounts for around 22 per cent of the Australian sharemarket with banks accounting for around 18 per cent of the market.
- BHP-Billiton is valued at around \$122 billion or almost 9 per cent of the sharemarket. Next biggest is CBA at \$77 billion or around 5.5 per cent of the market. The top 10 stocks account for 40 per cent of the total market and 45 per cent of the All Ordinaries.
- Around 40 per cent of listed equities in Australia are owned by foreigners (rest of the world) according to the



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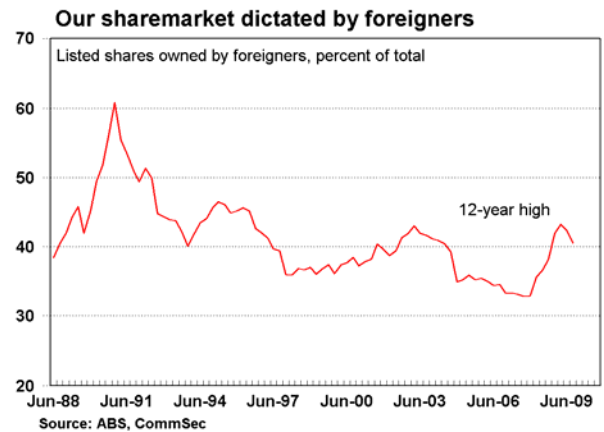
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Australian Bureau of Statistics (financial accounts).

- Since the recent market trough on March 9 last year, the capitalisation of the Australian sharemarket has increased by just over 60 per cent.
- Capitalisation of Australian shares peaked at around \$1800 billion in early November 2007. Currently the value of Australian shares is down around 25 per cent from the peak.
- As would be expected given our modest size, the Australian sharemarket has closely tracked the world sharemarket and the US Dow Jones over the past few years.
- Since mid April when the Australian sharemarket peaked, the All Ordinaries has fallen by 13.5 per cent. Over the same period the US S&P 500 has fallen by 12.1 per cent, the US FTSE has lost 12 per cent and the Japanese Nikkei has lost 15.4 per cent. Surprisingly the German Dax has declined only by 5.6 per cent over the period.



**What are the implications for investors?**

- Whether we like it or not, the Australian sharemarket is hostage to the movements in sharemarkets in Europe and the US. Australia accounts for less than 3 per cent of world sharemarket capitalisation, so when the order comes from London and New York to sell, our shares are reduced in value in line with the major markets of the world.
- There have been times in the past when the Australian sharemarket has marched to its own beat – notably 2005. But with all global investors focussed on developments in Europe and the US, it would take a major break in strategy for investors to rate Australia differently.
- By rights Australia, and Asian markets more broadly, should be differently assessed by global investment banks and hedge funds. Asian financial systems remain resilient to the trends in Europe and the US and the region’s economies continue to perform strongly.
- At some point in time there are good reasons for Asian bourses to perform differently to those in Europe and the US, but it will probably have to wait until the current environment of fear gives way to fundamentals.
- Australian investors are well advised to continue diversifying assets across financial classes, thus reducing exposure to the vagaries of fear-driven European and US equity markets.
- Fundamentally the Australian sharemarket is well positioned for recovery from the current correction of world sharemarkets with the economy recording solid, but not spectacular growth, and maintaining a historic price-earnings ratio of around 15 that is in line with long-term averages.

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