

Aussie Kickstart

Your Five-Minute Guide To The Australian Equity Market: A Review Of Performance, Valuation & Ideas Across Sectors, Styles And Volatility

Quantitative | Australia

Focus of the Week: Revisiting Opportunities Around Corporate Activity

- A number of news items had investors refocused on the potential opportunities provided by the ever-increasing list of corporate actions in the Australian market:
 - Westfield's proposal to spin off half of its Australasian assets.
 - The Canadian Government blocking BHP's bid for Potash.
 - A UK regulatory investigation into the News Corp bid for BSKyB
 - Press reports (*Sydney Morning Herald*) that TEN Network's chairman was working on a management buyout.
- **Demergers (WDC, TAH, FGL):** Performance around past demergers has been very mixed. From listing, spin-offs have been more likely to underperform their parent company initially, before outperforming over the following year. The creation of more focussed businesses has also appeared to make both entities more attractive as potential takeover targets.
- **Potential For Significant Buy-Backs (BHP, NWS):** In the event that BHP's bid for Potash does not go through, we estimate BHP could undertake a US\$20-30bn buy-back, each US\$10bn being EPS-accretive by ~3%. Skewing any potential buy-back to the UK listing should see the current ~15% discount narrow further. In the case of NWS, we believe a blocked BSKyB deal would give it scope to do a buy-back in the order of US\$4-10bn (9-30% EPS-accretive), potentially narrowing the ~11% NSWLV discount further.
- **Revisiting our Screen for Potential M&A Targets:** We run our M&A model (it assumes a 20% bid premium, moderate regearing of a target and an exit in 3 years time at the stock's 5-yr average multiple). **Top 10 Industrial Stocks: JHX, CGF, PRY, MYR, TEN, TLS, FXJ, NWS, TSE & JBH.**

Performance

Over the week the ASX 200 (+3%) performed broadly in line with global equity markets (+3.4%). Resources (+6.7%) continued their recent run, strongly outperforming both Industrials (+1.6%) and Financials (+1%). For the first time in ~18 months, there is finally some significant sector dispersion emerging with resources outperforming by ~12% over the past month. Biggest sector underperformers this week: LEI, RMD, MCC. Outperformers: BBG, BLY, BOQ

Earnings and Valuation

Bottom-up, the ASX 200 is trading on 13x forward earnings, 11% below its 10yr average. Resources trading at a 1% discount to Industrials, 13% above 10-yr average (historically, this premium has peaked between 15-20% in normal markets).

Factors

Small Caps outperformed Large by 1%, with Small Retail beating Large by 7.3% and Small Metals underperforming by 3.3%. Growth (+2.1%) outperformed Momentum (+1%) and Value (-1.9%). OST and TEN are our preferred momentum names.

Volatility

Down 140bp to 16.3%, 3-month ASX 200 Implied Vol is currently trading 230bp above 60-day realised and close to the post-GFC lows that were reached at the April highs. Skew (puts cost 1.25x calls) is moderate (40th percentile). Marrying the expected upside to analyst target prices with our implied volatility screens suggests the following option positioning; Buying Calls; NCM, Buying Puts; AXA, Selling Puts; TLS, Selling Calls; IAG.

This report is intended for distribution to Goldman Sachs (GS) and GS&PA Institutional clients only.

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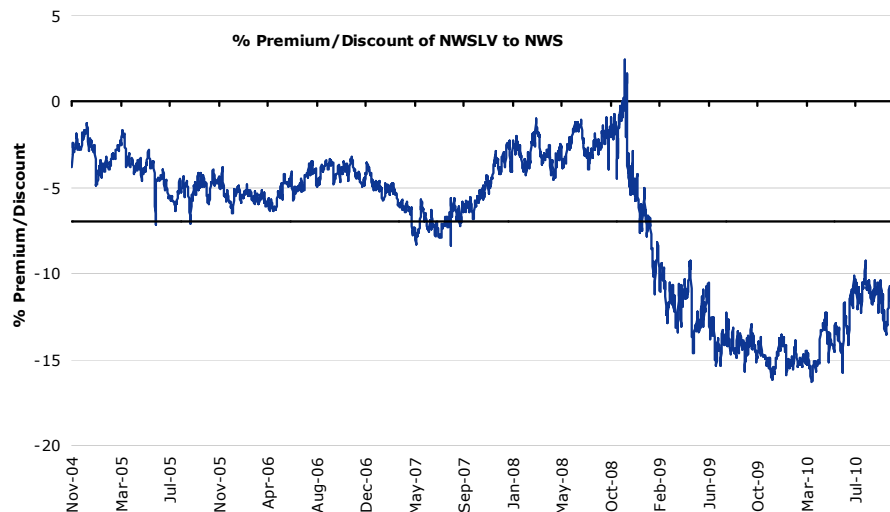
Focus of the Week: Revisiting Opportunities around Corporate Activity

Exhibit 1: DEMERGERS: Performance has been mixed. Spin-offs have been more likely to underperform in the short-term before longer-term outperformance

Large-Cap ASX Spin-Offs			Outperformance of Spin-Off vs Parent Company		
Parent	Spin-Off	Date	1 Week	1 Month	1 Year
Orica	Duluxgroup	Jul-10	0%	1%	
MIG	Macquarie Atlas	Jan-10	65%	45%	
PBL	Crown	Dec-07	-9%	-14%	-21%
Toll Holdings	Asciano Group	Jun-07	-5%	-17%	-15%
MIG	Sydney Roads	Jul-06	-4%	-14%	13%
Burns Philp	Goodman Fielder	Dec-05	3%	0%	6%
Symbion Health	Mayne Pharma	Nov-05	-20%	-22%	47%
AMP	Henderson Group	Dec-03	6%	29%	13%
Foster's	Australian Leisure	Nov-03	-3%	-8%	41%
CSR	Rinker	Mar-03	-10%	-14%	21%
Alumina	WMC Resources	Dec-02	13%	0%	4%
BHP Billiton	Bluescope Steel	Jul-02	-5%	-5%	40%
BHP Billiton	OneSteel	Oct-00	-3%	-5%	-8%
Amcor	PaperlinX	Apr-00	-8%	-10%	-4%
Origin Energy	Boral	Feb-00	14%	13%	-49%
PBL	ECORP	Jun-99	56%	31%	-10%
Pacific Dunlop	Cochlear	Dec-95	0%	3%	42%
Median Performance			-3%	-5%	4%

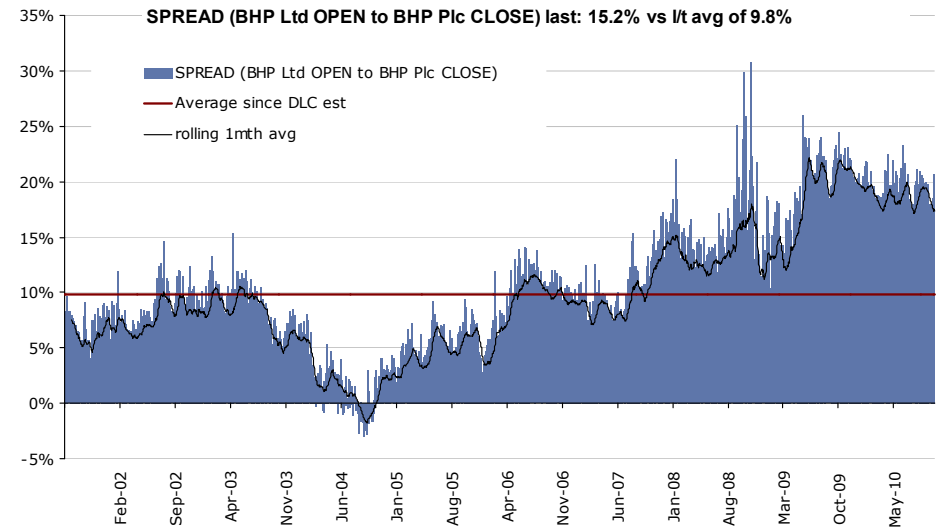
Source: GS&PA Research, IRESS

Exhibit 3: A blocking of NewsCorp's bid for BSKyB could enable a US\$4-10bn Buy-Back (9-30% EPS-accretive and a catalyst to close the NWSL discount)



Source: GS&PA Research/IRESS

Exhibit 2: A blocking of BHP's bid for Potash could enable a US\$20-30bn Buy-Back (6-9% EPS-accretive and a catalyst to narrow the 15% AU/UK premium)



Source: GS&PA Research, Bloomberg

Exhibit 4: Potential M&A Targets: assumes a 20% bid premium, moderate regearing and an exit in 3 years time at the stock's 5-yr average multiple

Code	Sector	Price	Rating	M & A Model: IRR (%)	Free-Float % (ASX 300)	EV / EBITDA (2011E)	EV / EBITDA (Terminal Multiple)	Net Debt / EBITDA (2011E)
JHX	Materials	5.57	HOLD	31%	100	8.9	8.5	Net Cash
CGF	Div. Financials	4.73	HOLD	30%	90	7.4	11.1	Net Cash
PRY	Health Care	3.11	SELL	30%	93	7.2	10.8	2.8
MYR	Consumer Disc.	3.78	BUY	29%	100	6.8	10.0	0.8
TEN	Media	1.49	BUY	27%	88	6.9	10.3	1.1
TLS	Telcos	2.68	HOLD	26%	89	4.6	6.0	1.3
FXJ	Media	1.47	HOLD	24%	86	7.0	9.4	1.6
NWS	Media	16.15	BUY	24%	100	5.1	6.6	0.4
TSE	General Industrials	3.49	HOLD	22%	86	7.3	10.0	0.5
JBH	Consumer Disc.	19.13	BUY	20%	100	9.2	11.6	0.1
BLD	Materials	4.42	HOLD	18%	100	6.6	7.8	1.0
BXB	General Industrials	6.82	HOLD	18%	100	8.4	9.5	1.3
SHL	Health Care	10.93	HOLD	18%	100	9.9	11.6	2.3
CSL	Health Care	34.27	HOLD	17%	100	13.1	14.4	Net Cash

Source: GS&PA Research, IRESS

Performance Snapshot

Exhibit 5: Asset Class Performance

Asset Class	% chg 1wk	% chg 3mth	% chg 1yr	% chg 52w k Low	% chg 52w k High	Est. PER	Price / Book
Commodities (GSCI)	5.7	10	17	30	0		
MSCI AC Asia x J	4.7	15	23	35	0	14.3	2.1
MSCI Emerging	4.1	14	24	35	0	13.4	2.1
MSCI World	3.4	10	12	23	0	13.9	1.8
FTSE 100	3.3	9	14	22	0	12.2	2.0
S&P 500	3.1	8	14	21	0	14.4	2.2
AUD/USD	3.1	11	11				
ASX 200	3.0	5	6	15	-4	13.0	2.1
Nikkei 225	2.9	0	-1	10	-16	17.2	1.3
DJ Euro Stoxx 50	1.4	2	3	18	-5	10.9	1.3
JPM Global Bonds	1.1	5	7				

Source: GS&PA Research, Bloomberg

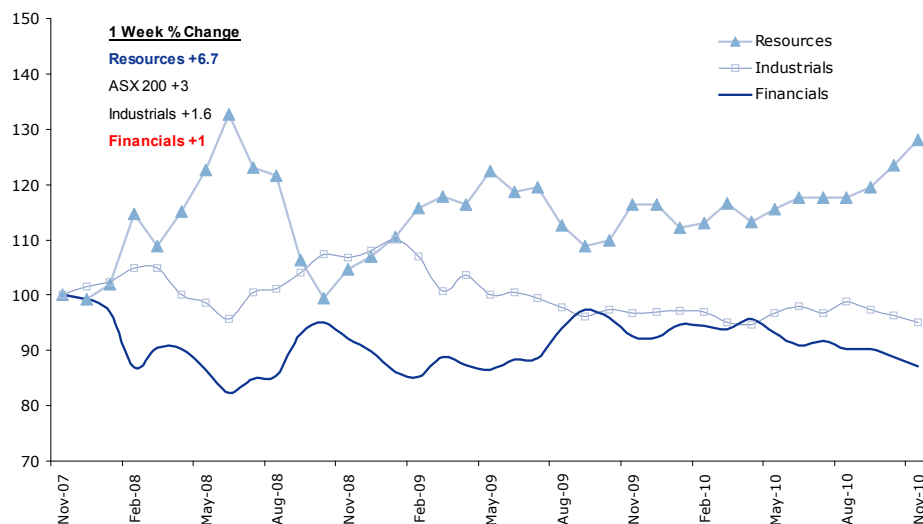
All prices as at 05-Nov 04:46 PM unless stated

Exhibit 6: Performance of GS&PA Tradeable Sectors (see GSSA <GO> in Bloomberg)

Bloomberg	Name	1 Week Alpha (%)	3 mth alpha	1 yr alpha	Est. PER
GSOZGOLD	Gold	4.2	24	45	26.5
GSOZMETM	Metals	3.9	14	28	11.6
GSOZOILS	Oils	2.0	1	-5	22.3
GSOZHEAL	Health Care	0.5	-3	-1	18.5
GSOZGAM E	Gaming	-0.3	3	3	12.3
GSOZINSU	Insurance	-0.7	0	-11	11.8
GSEHAUDF	Defensives	-1.2	-2	0	14.7
GSOZCONS	Staples	-1.3	2	6	16.7
GSOZMATL	Materials	-1.6	-1	9	14.0
GSEHAUCY	Cyclicals	-1.6	-1	-9	14.1
NA	Telcos	-2.4	-22	-22	10.5
GSOZBANK	Banks	-2.4	-8	-11	10.8
GSOZREIT	REITs	-2.5	-7	-5	13.7
GSOZSTEE	Steel	-2.8	-17	-24	13.2
NA	Media	-2.8	-8	-2	13.1
GSOZCOND	Discretionary	-4.1	-12	-19	13.4

Source: GS&PA Research, Bloomberg

Exhibit 7: Relative Performance of Macro Sectors vs ASX 200



Source: GS&PA Research, IRESS

Exhibit 8: Winners and Losers Within Each Sector

1 Week Sector Outperformance (%) - ASX 100								
Sector	Worst Stock	Loss vs Sector (%)	Loss vs Sector (%)				Best Stock	Gain vs Sector (%)
			-20	-10	0	10		
Misc. Industrials	LEI	-11.0				BLY	8.3	
Consumer Disc.	HVN	-4.0				BBG	9.9	
Banks	ANZ	-3.5				BOQ	6.7	
Metals	MCC	-4.4				RIV	4.8	
Health Care	RMD	-7.3				CSL	1.8	
REITs	SGP	-3.9				CQO	3.2	
Utilities	SKI	-2.5				APA	4.3	
Energy	ORG	-1.8				WOR	4.3	
Media	NWS	-2.4				TEN	3.1	
Gaming	TAH	-2.2				CWN	3.1	
Insurance	QBE	-1.9				SUN	3.0	
Steel	OST	-1.7				SGM	3.1	
Cons Staples	FGL	-1.6				GFF	2.6	
Div. Financials	PPT	-2.6				CPU	1.0	
Materials	BLD	-0.9				JHX	1.8	
Transportation	ITO	-1.3				TOL	1.2	
Telcos	TLS	-0.2				TEL	2.2	

Source: GS&PA Research, Bloomberg

Earnings and Valuation

Exhibit 9: Equity Market Valuation; 12 month forward P/E

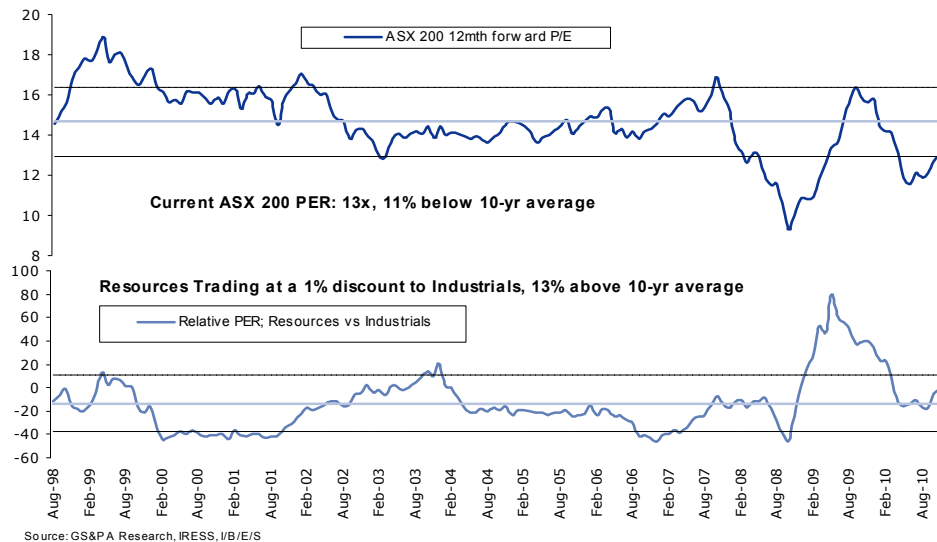


Exhibit 10: Current 12 Month Forward P/E vs 10yr Range

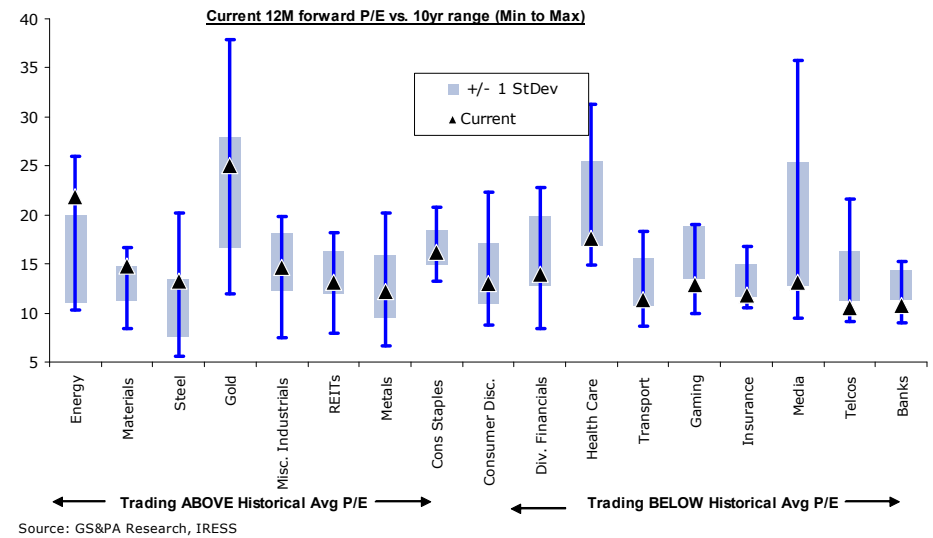
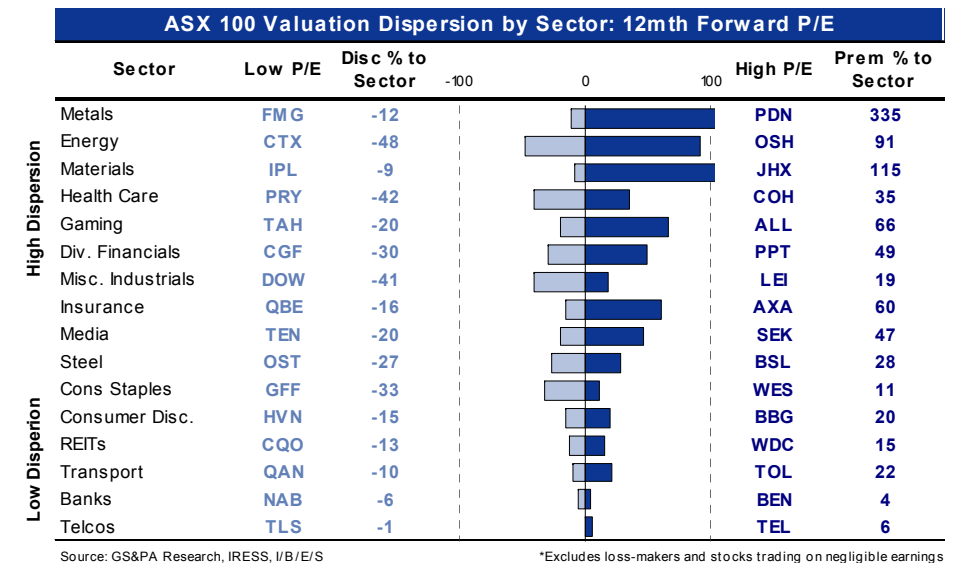


Exhibit 11: Relative Valuation Across Sectors

Sector	Relative Valuation			Forecast EPS Growth (%)					EPS % chg	
	12mth fwd PER	Relative PER % (vs market median)	Rel PER 10 year %-tile	FY '09	FY '10	FY '11	'10-11 CAGR (%)	2011 PER	12mth	3mth
Financials	11.4	-15	5	-16	6	13	9	11.4	19	1
Banks	10.8	-20	4	-14	22	15	19	10.8	32	3
REITs	13.2	-2	26	-22	-28	1	-15	13.2	-2	-2
Insurance	11.9	-12	8	7	-10	31	8	11.6	0	4
Div. Financials	13.9	3	27	-43	22	-7	6	14.9	-3	-8
Industrials x Fin	14.4	6	10	-13	-1	7	3	14.7	4	-2
Cons Staples	16.2	20	33	3	-6	18	5	16.5	14	3
Telcos	10.5	-22	8	4	-7	-18	-13	10.7	-26	-16
Health Care	17.6	30	33	22	2	-1	0	18.0	-7	-6
Materials	14.8	9	90	-36	3	15	9	15.0	8	-3
Misc. Industrials	14.7	9	41	-16	-10	6	-2	15.2	2	-3
Transport	11.4	-16	29	-85	91	89	90	12.9	60	13
Gaming	12.9	-5	12	-8	-9	2	-4	13.0	0	-2
Media	13.1	-3	4	-34	12	17	15	13.3	40	2
Consumer Disc.	13.0	-4	23	-9	22	10	16	12.9	17	-2
Resources	14.3	5	57	-36	21	37	29	14.7	74	-2
Metals	12.2	-10	41	-30	23	43	32	12.7	94	-1
Energy	21.8	62	89	-31	-4	27	11	21.2	16	2
Steel	13.3	-2	77	-89	69	38	53	14.5	1	-20
Gold	25.0	85	82	0	66	-3	27	27.2	86	-7
ASX 200	13.0			-21	7	17	12	13.2	26	-1

Source: GS&PA Research, IRESS, I/B/E/S

Exhibit 12: Relative Value Within Sectors



Earnings and Valuation

Exhibit 13: EPS Momentum; Rolling 12 Month Forward EPS

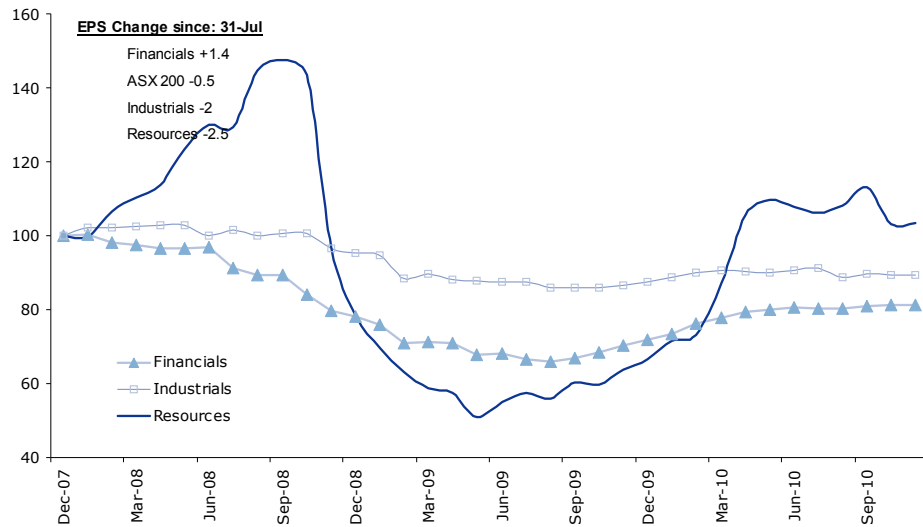


Exhibit 14: Decomposing 3-month Price Performance: Earnings vs Valuation

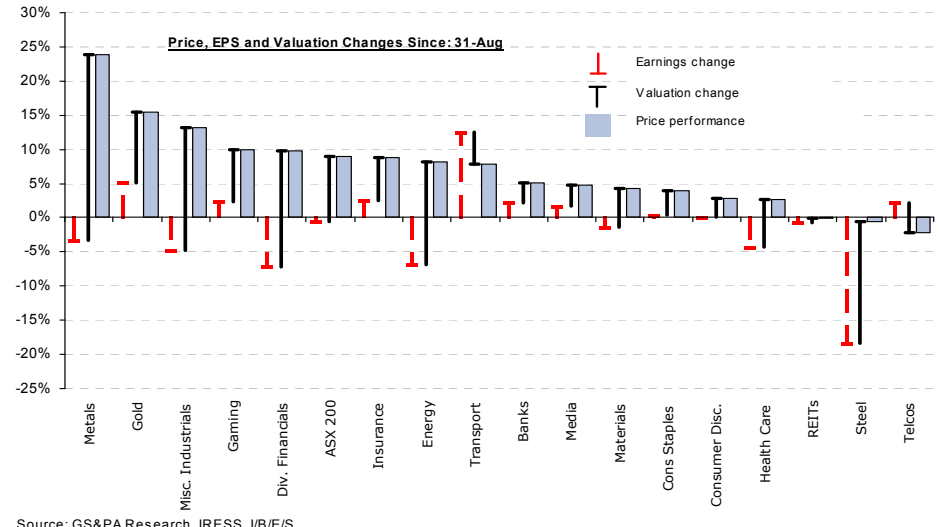


Exhibit 15: Sector Investment Statistics

Sector	ASX 200 Weight	Est. Daily Liq (\$Am)	Upside to 12mth Price Target (%)	Price / Book	Est. Div Yield (%)	Return on Equity (%)	Net Debt / Equity (%)	Shorts as a % of Turnover (15days)	52 Week Beta
Financials	37.9	1010	19	1.5	5.9	15	41	20	1.06
Banks	23.8	791	23	1.7	6.1	17	22	22	1.22
REITs	6.3	154	na	1.0	5.8	8	48	19	0.68
Insurance	5.0	138	10	1.6	5.6	16		16	0.81
Div. Financials	2.8	71	15	1.7	4.5	14		17	0.98
Industrials x Fin	29.9	723	16	2.0	5.1	19	50	18	0.71
Cons Staples	9.0	284	15	2.3	4.9	20	41	20	0.67
Telcos	3.1	99	28	2.6	9.8	25	94	16	0.40
Health Care	3.1	89	8	2.8	3.2	22	15	21	0.55
Misc. Industrials	3.0	99	16	1.9	3.8	15	63	16	0.80
Materials	3.1	69	11	1.3	4.1	7	84	13	0.89
Transport	3.0	67	13	2.3	4.3	20	41	21	1.00
Media	1.2	44	8	1.6	5.8	15	41	15	0.62
Gaming	1.5	43	31	1.4	4.0	16	26	17	0.86
Consumer Disc.	1.4	37	24	2.2	5.4	23	21	23	0.85
Resources	32.1	1205	18	2.6	1.9	22	11	26	1.21
Metals	21.6	811	na	3.4	1.9	28	8	29	1.26
Energy	6.1	204	15	2.0	2.3	9	26	18	1.05
Steel	1.0	53	29	0.8	4.4	5	11	18	1.43
Gold	3.5	102	24	2.0	0.7	7	1	18	1.16
ASX 200	100	2664	18	1.9	4.4	18	31	21	1.00

Source: GS&PA Research, IRESS, I/B/E/S

Exhibit 16: EPS Momentum: Leading / Lagging Sectors and Stocks

Sector	EPS Revisions; 3mth change to forward earnings				
	3mth EPS chg (%)	Lagging Stock	3mth EPS chg (%)	Leading Stock	3mth EPS chg (%)
Transport	15	TOL	-5	QAN	34
Media	6	NWS	0	FXJ	8
Insurance	4	AXA	-4	IAG	17
Banks	3	BOQ	-6	ANZ	8
Cons Staples	2	GFF	-3	CCL	5
Energy	0	AWE	-52	OSH	17
REITs	-1	CQO	-17	GPT	10
Metals	-2	MCC	-31	ILU	25
Gaming	-2	ALL	-19	TTS	3
Materials	-3	JHX	-26	BLD	8
Consumer Disc.	-4	BBG	-15	MYR	2
Misc. Industrials	-5	LEI	-20	BLY	5
Health Care	-7	CSL	-8	RHC	2
Div. Financials	-9	CPU	-16	CGF	6
Telcos	-16	TLS	-18	TEL	10
Steel	-24	BSL	-36	SGM	-14

Source: GS&PA Research, IRESS, I/B/E/S

Large vs Smalls

Exhibit 17: Relative Performance and Valuation of ASX Size Buckets

Size Bucket	1 Week Outperformance (%)	% chg 3mth	% chg 1yr	12mth fwd PER	% Prem to mkt	Price / Book	Est. Liq (\$Am)
Stocks 1-20	0.2	5	2	12.5	-4	2.1	2116
Stocks 21-50	-1.3	7	4	14.7	13	1.6	548
Stocks 51-100	0.1	9	3	14.0	8	1.5	352
Stocks 1-100	-0.1	6	2	13.0	0	1.9	3091
Stocks 101-150	1.3	19	16	14.0	7	1.7	111
Stocks 151-200	0.1	12	10	13.0	0	1.1	47
Stocks 101-200	0.9	17	14	13.6	5	1.5	158
ASX 200		7	3	13.0		1.9	2664

Source: GS&PA Research, IRESS, I/B/E/S

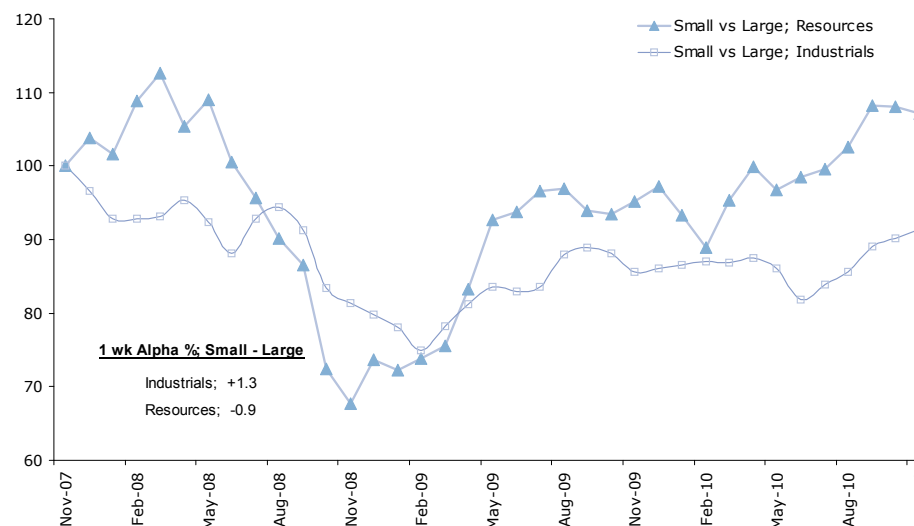
Exhibit 19: Relative Performance and Sector Valuations; Large vs Small

Sector	% Weight		1-Week Return (%)			6-mth Return (%)			12mth fwd PER		
	Large	Small	Large	Small	Small - Large	Large	Small	Small - Large	Large	Small	Small / Large
Consumer Disc.	1.0	7.0	-2.3	5.0	7.3	-5	8	13	12.7	13.4	6
Steel	0.9	1.7	-0.2	6.8	7.0	-23	31	55	13.3	0.0	-100
Gold	3.1	7.9	7.2	10.3	3.1	33	43	9	26.5	18.5	-30
Div. Financials	2.7	4.5	2.6	4.3	1.7	-12	1	14	13.7	15.6	14
Misc. Industrials	2.3	11.5	1.4	2.7	1.2	-6	-1	4	15.6	12.5	-20
Energy	6.1	6.1	5.1	6.3	1.2	0	12	11	22.1	15.5	-30
Media	1.4	2.6	0.0	1.1	1.1	-14	-13	1	13.1	13.3	1
Cons Staples	9.3	3.7	1.8	2.8	1.0	10	25	14	16.4	12.6	-23
OVERALL	100	100	2.9	3.9	1.0	-1	9	10	13.0	13.6	5
Utilities	1.1	5.5	1.6	2.4	0.8	6	3	-3	nm	nm	
Materials	3	6	1.5	1.5	-0.1	-6	18	24	14.8	14.7	0
REITs	6.2	7.0	1.0	0.8	-0.2	-4	1	6	13.4	11.5	-14
Health Care	3.3	0.8	2.6	1.5	-1.1	-1	-3	-2	17.7	11.5	-35
Metals	21.3	25.4	7.6	4.3	-3.3	16	15	-1	12.1	13.5	12

Source: GS&PA Research, IRESS, I/B/E/S

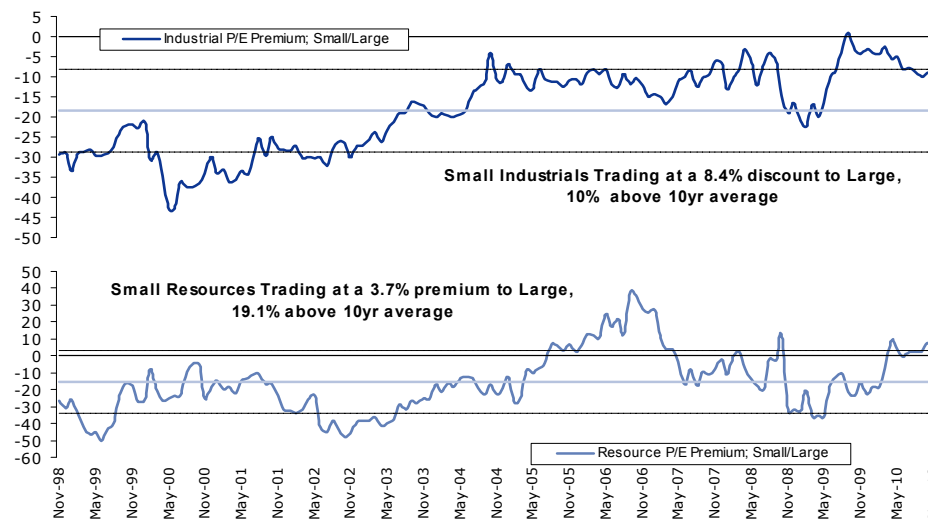
Large: ASX 1-100, Small ASX 101-200

Exhibit 18: Industrials/Resource; Small vs Large Performance



Source: GS&PA Research, IRESS

Exhibit 20: Industrial/Resource; Small vs Large Relative P/E



Source: GS&PA Research, IRESS, I/B/E/S

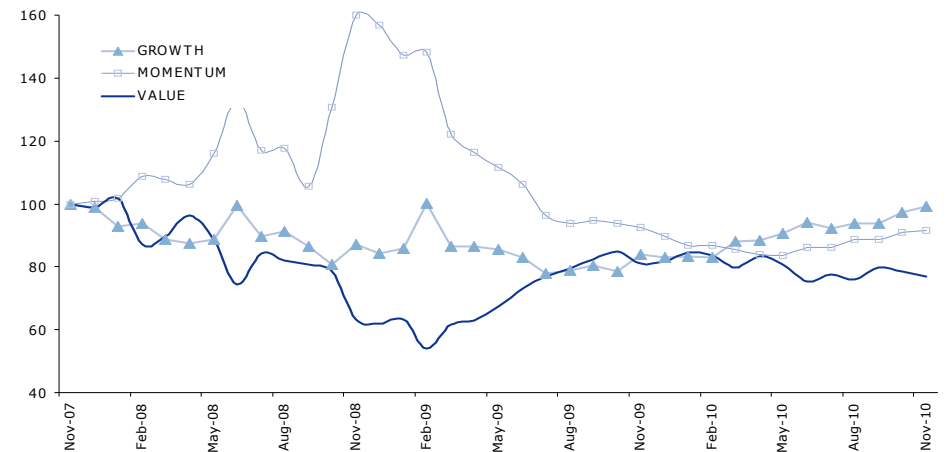
Factor Performance

Exhibit 21: Long-Short Factor Returns

	1-Week Factor Return (%)			6-mth Return (%)					
	-10	0	10	Long - Short	Long	Short	Long - Short	Long	Short
Momentum Metrics									
3mth Price Momentum				2.6	4.0	14	8	4	-4
12mth Price Momentum				1.9	4.0	2.2	1	1	0
MOMENTUM				1.0	3.8	2.8	9	5	-4
3mth EPS Momentum				0.9	4.3	3.4	9	4	-5
Valuation Metrics									
Long-term Losers (3yr)				1.1	3.8	2.7	-5	2	7
Price / Target Price				0.5	2.7	2.3	3	0	-3
Low Price / Book				0.1	2.5	2.4	-4	-5	-1
Low P/E				-1.8	2.8	4.5	3	3	0
VALUE				-1.9	1.5	3.4	-8	-3	5
High Yield				-4.7	12	5.9	-10	-1	8
Growth & Profitability Metrics									
Long-term EPS Growth				3.3	5.1	18	15	7	-8
Net Profit Margin				2.7	4.2	15	16	12	-3
GROWTH				2.1	4.8	2.8	12	8	-4
Return on Equity				-2.1	2.0	4.1	1	-1	-2
Risk Metrics									
High EPS Dispersion				5.1	5.2	0.1	9	10	1
RISK				3.7	4.9	1.2	5	5	1
Price Volatility				2.8	4.9	2.0	6	7	0
Beta				2.6	3.9	13	2	1	-2
High Debt / Equity				-1.2	2.9	4.1	-6	2	8

Notes: Factor portfolios are formed on the basis of the top and bottom quartile of the relevant metric. Stocks are selected from the ASX 100 x Trusts universe. Portfolios are equally weighted, rebalanced monthly. Style Portfolios; (e.g. Value) are the result of equally weighted composite scores across each underlying metric. Source: GS&PA Research, IRESS, I/B/E/S

Exhibit 22: Long-Short Return for Composite Style Factors



Source: GS&PA Research, IRESS, I/B/E/S

Exhibit 23: Top 15 Stocks From Current Long-Short Factor Portfolios

Momentum		Value		Growth		Risk	
Long	Short	Long	Short	Long	Short	Long	Short
FMG	BSL	OST	OSH	FMG	CTX	PDN	WOW
OZL	AWE	TLS	PDN	SEK	AWC	FMG	CSL
ILU	MQG	PRY	RIV	WAN	TTS	MCC	XJO
RIV	PRY	TEN	ILU	OZL	AGK	ILU	BHP
CGF	SGM	BSL	COH	BHP	TAH	AWE	AGK
AWC	OST	HVN	FMG	RIO	TSE	TEN	CBA
BLY	HVN	FXJ	CCL	WPL	DOW	BSL	ITO
AQP	BBG	NAB	CSL	COH	ORG	AWC	WES
RIO	ALL	TTS	ALL	AQP	TOL	ALL	ANZ
CTX	TEN	QAN	RHC	IAG	GFF	CTX	TLS
IPL	JHX	MYR	CPU	MCC	PRY	TSE	MTS
RHC	TLS	NWS	NCM	ALL	FXJ	OZL	QBE
NCM	TSE	QBE	ORG	ASX	CSR	RIV	ORG
ANN	DOW	TSE	STO	PDN	UGL	DOW	COH
BXB	PDN	DJS	RMD	OSH	LEI	BBG	JBH

GS&PA Analyst Recommendation: **BUY** **SELL**

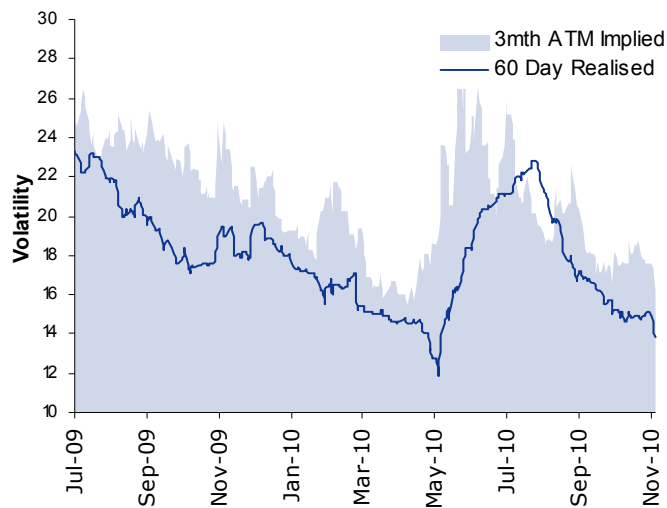
Source: GS&PA Research, IRESS, I/B/E/S

Index Volatility

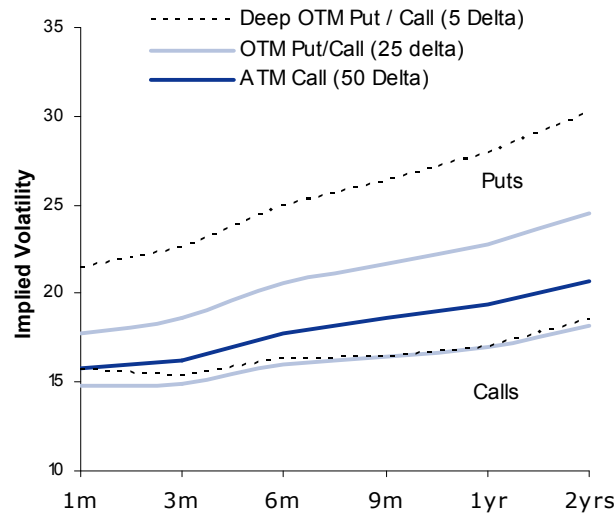
Exhibit 24: Implied vs Realized volatility, Skew and Term-Structure. All prices are mid-market OTC quotes

Index		3mth At-The-Money (ATM) Implied Vol					3-Month Skew			Term Structure			3-month Option Premium (% of Spot)	
Index	wk chg %	Current	wk chg bp	yr %-ile	60d hist vol %	Implied less Hist (bp)	Ratio of put / call	wk chg	yr %-ile	12 mth ATM Vol (%)	Ratio of 3 mth / 12m th	yr %-ile	95% Put	105% Call
ASX 200	3.0	16.3	-140	5%	14.0	230	1.25	-0.03	43%	19.4	0.84	2%	1.6	1.4
S&P 500	3.1	17.9	-200	12%	14.7	310	1.33	-0.05	1%	20.7	0.86	7%	2.3	1.4
FTSE-100	3.3	17.4	-140	11%	13.6	380	1.31	0.00	10%	20.1	0.87	3%	2.2	1.5
EuroStoxx50	1.4	20.4	-190	6%	16.8	360	1.32	0.00	38%	23.0	0.89	0%	2.9	2.0
Nikkei 225	2.9	20.3	-20	16%	21.8	-150	1.18	-0.02	2%	21.3	0.95	20%	2.6	2.2
S&P Asia 50	4.8	15.5	-60	5%	14.4	110	1.14	0.00	3%	16.5	0.94	2%	1.5	1.2
MSCI World	3.4	18.4	-200	15%	13.7	460	1.33	-0.05	1%	21.3	0.86	6%	2.4	1.5

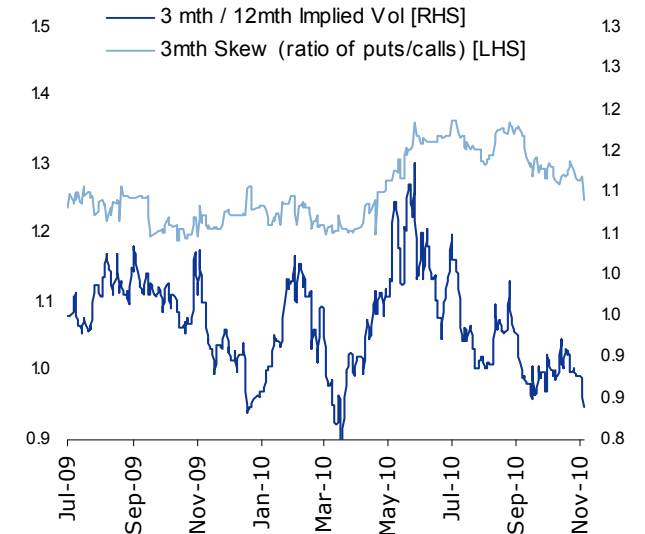
ASX 200: Implied vs Realized Volatility



ASX 200: Current Term structure & Skew



ASX 200: Term Structure & Skew Through time



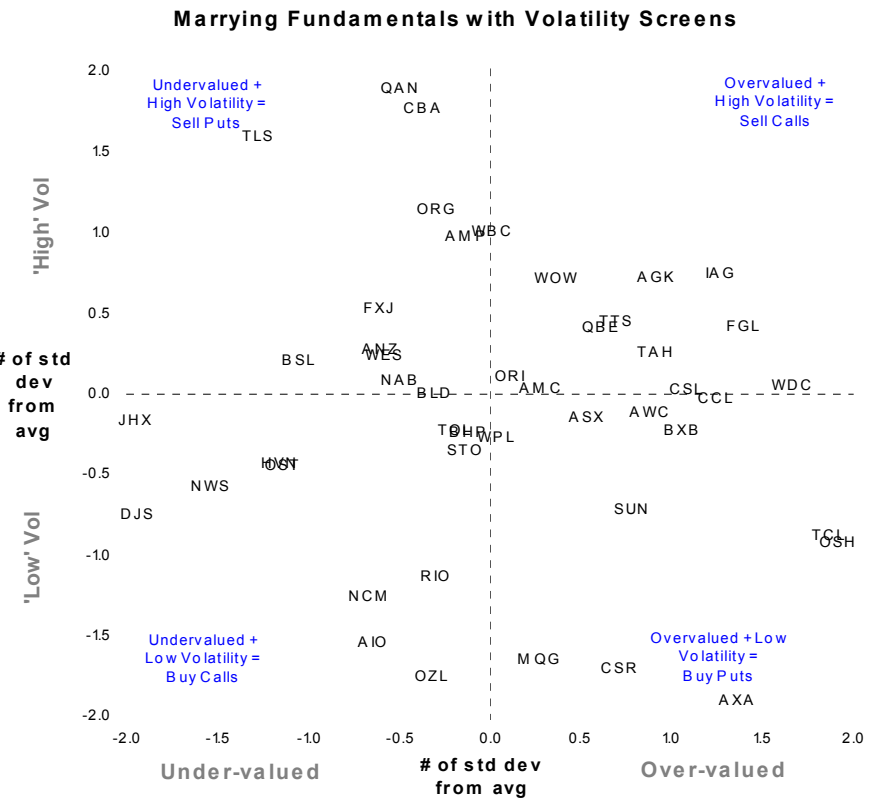
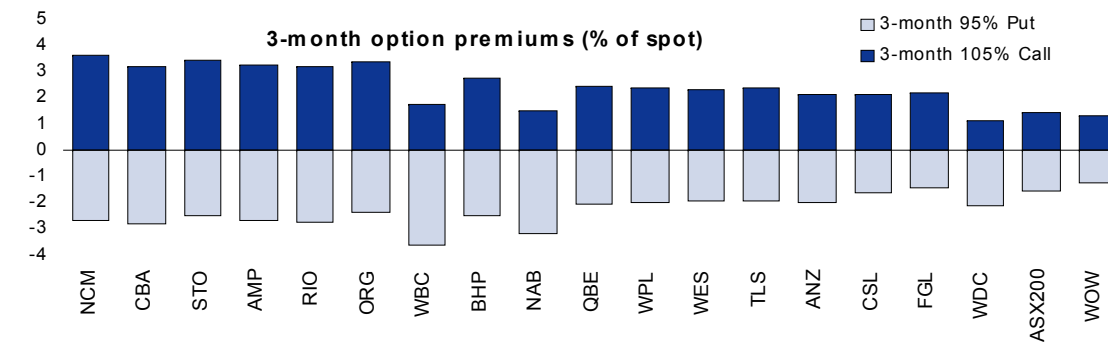
Source: GS&PA Research, Bloomberg

Single Stock Volatility Opportunities

Exhibit 25: Combining Fundamentals with Volatility Screens

Code	3-month options (% of Spot)				Implied vs Realised Volatility				Relative Valuation		
	105% Call	95% Put	Est. div %	Imp credit %	3m th ATM Implied	60d hist vol	Imp less Hist	60d hist vol less 5yr avg	12m th fwd PER	10 yr %-tile	Upside to target price (%)
AMP	3.3	2.7			24.9	21.7	3	-8	13.8	21	16
ANZ	2.1	2.0			19.9	18.6	1	-10	10.7	17	25
BHP	2.7	2.5			22.9	19.9	3	-16	11.9	30	-
CBA	3.2	2.8			25.3	18.1	7	-8	11.0	4	29
CSL	2.1	1.6			18.9	16.3	3	-14	19.1	22	6
FGL	2.2	1.4			18.7	23.2	-4	-1	15.5	39	3
NAB	1.5	3.2	3.0	1.3	21.2	22.0	-1	-8	10.1	17	23
NCM	3.6	2.7			26.0	25.3	1	-19	26.5	63	24
ORG	3.4	2.4			24.2	20.0	4	-9	22.3	95	21
QBE	2.4	2.1			21.0	17.9	3	-12	10.0	7	11
RIO	3.2	2.7			24.8	23.1	2	-20	11.5	25	-
STO	3.5	2.5			25.1	26.9	-2	-10	31.5	91	22
TLS	2.3	1.9			20.4	15.6	5	-7	10.4	13	32
WBC	1.7	3.6	2.6	1.1	23.2	22.3	1	-5	11.1	14	18
WDC	1.1	2.1			17.5	14.4	3	-15	15.3	18	-2
WES	2.3	2.0			20.5	19.8	1	-9	18.2	64	23
WOW	1.3	1.2			15.5	14.6	1	-7	15.6	12	14
WPL	2.4	2.0			20.6	17.1	3	-17	18.5	50	18

Est. Dividend and Imputation Credit expected over next 3 months as a % of current price
 Implied Volatilities and Option Prices are Goldman Sachs Mid-market quotes



Relatively 'High' / 'Low' Volatility : average of factor z-scores across:
1) Implied volatility less 60 day historical volatility.
2) 60 day historical volatility less average 5 year historical volatility.

Relatively Under / Overvalued :
 Rank of w here stock is trading relative to our 12 month target price
 (For Not-Rated Stocks = Rank of w here stock is trading relative to its 10yr P/E Range)

Both Relative Volatility and Relative Valuation are expressed in terms of z-Scores (i.e. a score of 2 indicates that a stock is 2 standard deviations above the average stock)

Where GS Implied Volatilities are not provided (i.e. stocks not included in the table) implied volatilities are derived from listed ETO Trades over the past 5 days).

Source: GS&PA Research, Bloomberg

GS&PA Buy/Sell Screens

Exhibit 26: GS&PA Buy/Hold-rated, most potential upside to target price

Code	Sector	Rec.	Est. Liq \$Am	Last Price	Target price	Return to target price	3mth price chg %	Fw d PER	1 Week EPS & Target Price Changes (%)
Large									
JHX	Materials	H	11	5.57	7.94	43	-11	31.8	
TEN	Media	B	15	1.49	2.10	41	-1	10.5	
DJS	Consumer Disc.	B	10	4.49	6.25	39	-1	12.0	
NWS	Media	B	34	16.15	21.70	34	-7	13.7	tgt pr -6, eps -5
MCC	Metals	B	18	12.41	16.50	33	-7	16.5	
MYR	Consumer Disc.	B	14	3.78	5.02	33	12	12.0	
OST	Steel	B	21	2.65	3.50	32	-15	9.6	
TLS	Telcos	H	144	2.68	3.54	32	-15	10.4	
JBH	Consumer Disc.	B	15	19.13	25.17	32	-1	14.8	
BSL	Steel	B	30	1.98	2.56	30	-18	17.0	
CBA	Banks	H	235	48.88	63.00	29	-4	11.0	
ILU	Metals	B	13	7.10	9.00	27	30	35.4	
PNA	Metals	B	17	0.79	1.00	27	32	13.5	
FXJ	Media	H	16	1.47	1.85	26	0	10.6	
SGM	Steel	B	13	16.91	21.21	25	-4	16.5	
AIO	Transportation	B	19	1.60	2.00	25	-8	19.6	
ANZ	Banks	B	196	24.09	30.00	25	8	10.7	
NCM	Gold	B	170	42.84	53.00	24	25	26.5	
WES	Cons Staples	B	100	33.92	41.88	23	10	18.2	tgt pr +1
QAN	Transportation	B	38	2.86	3.53	23	9	10.1	
Small									
AWE	Energy	B	4	1.60	2.40	50	-6	32.4	
SFR	Metals	B	3	7.91	11.00	39	39	nm	
SBM	Gold	B	6	0.47	0.65	38	59	19.0	
SEK	General Industrials	B	9	7.41	9.95	34	-2	19.3	
MMX	Steel	H	4	1.38	1.83	33	-24	53.5	tgt pr -6, eps -62
MRE	Metals	H	1	0.80	1.05	31	7	43.2	
HVN	Consumer Disc.	H	7	3.12	4.07	31	-8	10.8	
DML	Metals	H	2	1.34	1.75	31	70	nm	eps -53
AUN	Media	H	3	0.94	1.20	28	-4	21.7	
PMV	Consumer Disc.	B	1	6.97	8.90	28	13	14.2	

Stock ratings B - Buy; S - Sell; H - Hold; NR - Not Rated; ratings in brackets are from previous week.
 Large: filtered by 100 day ADV > 10 million. Small: Filtered by 100 day ADV between 2 and 10 million.
 Shading = recent forecast or recom changes

Source: GS&PA Research, IRESS

Exhibit 27: GS&PA Sell/Hold-rated, most potential downside to target price

Code	Sector	Rec.	Est. Liq \$Am	Last Price	Target price	Return to target price	3mth price chg %	Fw d PER	1 Week EPS & Target Price Changes (%)
Large									
PDN	Energy	S	16	4.48	3.34	-25	12	52.8	
OSH	Energy	H	29	6.82	5.82	-15	15	42.4	
CTX	Energy	H	11	12.61	11.85	-6	25	11.5	
TCL	Transportation	H	21	5.34	5.20	-3	19	103.0	
WDC	REITs	S	152	12.70	12.48	-2	4	15.3	
FGL	Cons Staples	H	51	5.85	6.00	3	5	15.5	
AXA	Insurance	H	23	5.64	5.80	3	10	19.1	
COH	Health Care	H	15	73.68	76.00	3	6	23.9	
WOR	Energy	H	26	25.10	26.00	4	9	18.9	
IAG	Insurance	H	23	3.95	4.10	4	14	11.6	
CCL	Cons Staples	H	24	12.38	12.90	4	9	17.4	
CSL	Health Care	H	75	34.27	36.30	6	3	19.1	
TAH	Gaming	H	26	7.42	8.00	8	17	10.3	
DXS	REITs	H	19	0.84	0.90	8	1	11.7	
AWC	Metals	H	40	2.22	2.40	8	37	107.7	
BXB	General Industrials	H	44	6.82	7.40	9	29	18.1	
CGF	Div. Financials	H	11	4.73	5.20	10	33	9.6	
CSR	General Industrials	H	10	1.80	1.98	10	5	14.2	tgt pr +4
TTS	Gaming	H	10	2.54	2.80	10	15	10.6	
BBG	Consumer Disc.	H	11	8.75	9.68	11	-1	15.3	
Small									
MQA	Transportation	S	2	1.54	0.90	-42	16	nm	
NXS	Energy	H	2	0.46	0.34	-26	24	nm	
CEU	Transportation	S	3	0.45	0.36	-19	11	nm	
ALL	Gaming	S	7	3.66	3.40	-7	2	21.3	
APA	Utilities	H	4	4.13	3.89	-6	11	19.9	
NUF	Materials	H	10	4.79	4.56	-5	20	12.8	
ALZ	REITs	H	1	2.97	2.85	-4	6	12.9	
SPN	Utilities	S	4	0.92	0.88	-4	17	12.0	
GFF	Cons Staples	H	9	1.55	1.50	-3	24	11.1	
SKI	Utilities	H	5	1.11	1.09	-2	2	37.4	

Source: GS&PA Research, IRESS

MACRO

Exhibit 28: Current Economic Forecasts

	2009		2010		2011	
	H1	H2	H1	H2	H1	H2
Australia						
GDP (%ch yoy)	0.4	2.7	3.4	2.9	2.9	5.1
Unemployment Rate (%)	5.7	5.7	5.2	5.0	4.9	4.8
Underlying Inflation (%)	3.9	3.3	2.7	2.8	2.9	3.0
Official Cash (%)	3.0	3.8	4.5	4.8	5.3	5.5
10 Year Bond (%)	5.6	5.5	5.5	5.8	6.0	6.3
Global GDP Forecasts (%ch yoy)						
US	-4.1	0.2	3.0	2.1	1.6	2.2
UK	-5.9	-2.9	1.7	3.0	2.6	2.7
China	8.1	11.3	10.3	8.8	9.8	10.5
NZ	-2.4	0.5	2.6	3.1	3.7	4.3

Source: GS&PA Research, IRESS

All forecasts are end of period figures

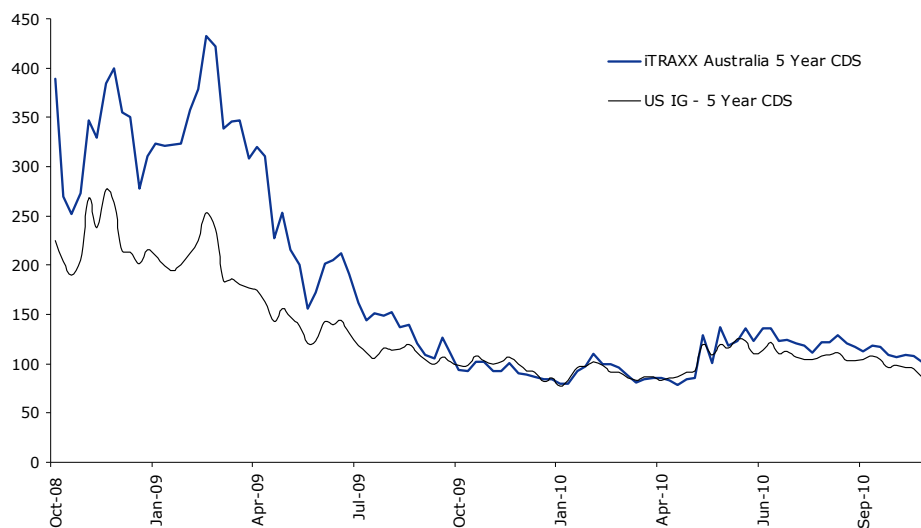
Exhibit 29: Current Commodity and Foreign Exchange Forecasts

	Units	Spot	2009		2010		2011		Long-Term
			H2	H1	H2	H1	H2	Long - v's Spot Term (%)	
AUD / USD		1.01	0.87	0.89	0.94	1.03	1.03	0.74	-27
AUD / EUR		0.71	0.60	0.67	0.71	0.69	0.67	0.62	-14
AUD / NZD		1.28	1.24	1.27	1.29	1.35	1.35	1.21	-5
Aluminium	US¢/lb	110	86	97	97	97	97	135	22
Copper	US¢/lb	390	284	324	353	398	410	221	-43
Platinum	US\$/oz	1774	1318	1597	1653	1944	2012	1791	1
Gold	US\$/oz	1389	1031	1154	1264	1315	1342	886	-36
Nickel	US¢/lb	1108	799	963	959	863	788	897	-19
Silver	US\$/oz	27	16	18	19	18	18	8	-70
Iron Ore-Fines	US¢/dmtu		97	145	213	217	217	105	
Zinc	US¢/lb	113	90	98	96	96	93	105	-7
Oil	US\$/bbl	87	72	79	83	100	100	85	-2

Source: GS&PA Research, IRESS

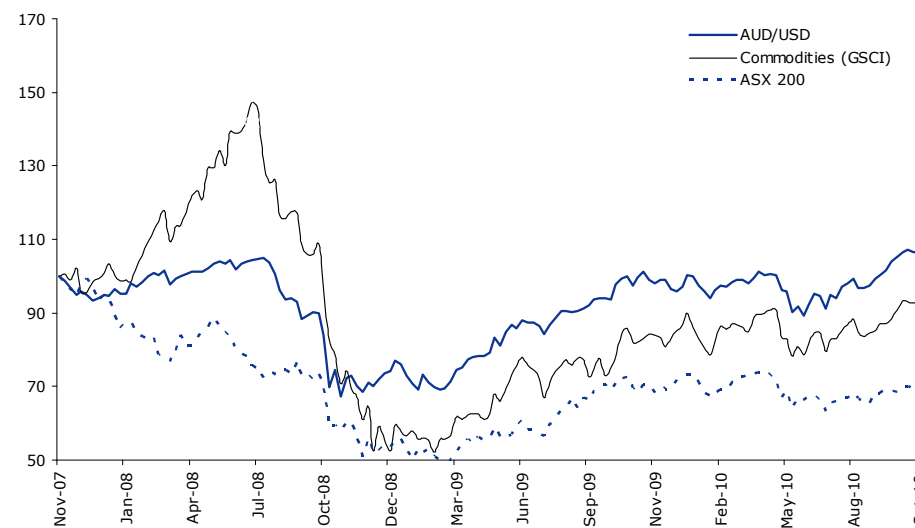
All estimates are average prices over the period

Exhibit 30: Credit – 5-Year CDS Spreads



Source: GS&PA Research

Exhibit 31: ASX 200, Commodities and the AUD/USD



Source: GS&PA Research

GS&PA Recommendation Summary

Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER							
Banks							Real Estate							Cons Staples													
ANZ	196.4	B	24.09	25	8	10.7	AAD	0.9	H	1.10	5	11	9.5	AAC	0.4	H	1.57	22	2	18.8							
BEN	10.0	H	9.53	10	19	11.2	AJA	0.3	H	0.35	1	15	4.4	AWB	7.2	NR	1.49	-	35	13.5							
BOQ	7.7	H	11.17	12	6	10.7	BWP	1.2	S	1.87	-1	-1	14.8	CCL	24.0	H	12.38	4	9	17.4							
CBA	234.7	H	48.88	29	-4	11.0	CFX	21.4	H	1.82	13	-5	14.2	ELD	3.4	NR	0.62	-	23	57.6							
NAB	180.0	B	25.97	23	4	10.1	CHC	1.7	H	0.55	19	-13	11.0	FGL	50.5	H	5.85	3	5	15.5							
WBC	205.5	H	23.36	18	-1	11.1	CPA	7.6	H	0.92	12	-6	13.3	GFF	9.3	H	1.55	-3	24	11.1							
Diversified Financials							Info-Tech							Consumer Disc.													
ASX	41.2	H	37.43	15	28	18.1	DXS	18.8	H	0.84	8	1	11.7	EDT	0.0	H	0.07	-22	0	0.0	MTS	11.4	H	4.42	11	0	12.6
BTT	0.1	B	2.93	18	9	14.9	FKP	2.5	B	0.93	11	28	8.9	FKP	2.5	B	0.93	11	28	8.9	PFL	0.0	B	1.28	25	12	9.9
CGF	10.6	H	4.73	10	33	9.6	GMG	15.9	NR	0.66	-	5	11.6	GMG	15.9	NR	0.66	-	5	11.6	SHV	0.1	B	3.15	45	-11	9.1
FXL	0.3	B	1.47	39	18	8.5	GPT	21.9	H	2.81	-	0	13.0	GPT	21.9	H	2.81	-	0	13.0	TGR	0.2	H	1.42	18	3	8.4
HGG	3.9	B	2.20	23	-4	13.4	IIF	6.0	NR	0.53	-	18	13.1	IIF	6.0	NR	0.53	-	18	13.1	WES	99.9	B	33.92	23	10	18.2
IFL	3.8	H	7.41	7	16	15.3	IOF	5.2	H	0.62	10	3	12.1	IOF	5.2	H	0.62	10	3	12.1	WOW	114.8	H	28.78	14	11	15.6
MQG	84.5	H	37.42	15	-5	11.6	LLC	14.7	H	7.31	23	2	12.1	LLC	14.7	H	7.31	23	2	12.1							
PPT	5.0	NR	37.85	-	25	20.4	MGR	25.1	B	1.30	16	-3	12.2	MGR	25.1	B	1.30	16	-3	12.2							
WHG	0.2	B	1.09	54	13	9.1	SGP	35.0	H	3.66	16	-5	11.6	SGP	35.0	H	3.66	16	-5	11.6							
Insurance							WDC																				
AMP	44.7	H	5.37	16	2	13.8	WDC	151.6	S	12.70	-2	4	15.3														
AUB	0.1	B	5.19	14	9	12.7																					
AXA	22.6	H	5.64	3	10	19.1																					
IAG	23.0	H	3.95	4	14	11.6																					
QBE	82.4	H	17.27	11	4	10.0																					
SUN	38.8	B	9.70	9	21	11.9																					
TAL	1.8	H	2.51	16	12	10.5																					

GS&PA Recommendation Summary

Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER
Utilities							Media							Industrials						
AGK	21.1	B	16.16	8	9	15.5	AEO	0.1	H	1.63	20	-7	10.6	AAX	1.4	H	2.37	27	-7	9.5
APA	3.8	H	4.13	-6	11	19.9	APN	3.0	H	1.99	8	-3	10.4	ALS	0.7	H	2.50	24	-6	8.6
ENV	0.8	H	0.53	5	8	17.5	AUN	2.5	H	0.94	28	-4	21.7	BKN	4.6	B	8.60	21	12	12.7
IFN	1.6	H	0.73	23	-8	nm	CMJ	1.9	H	3.34	5	7	20.9	BLY	11.9	B	3.97	8	26	16.4
SKI	4.7	H	1.11	-2	2	37.4	FXJ	15.8	H	1.47	26	0	10.6	BXB	43.8	H	6.82	9	29	18.1
SPN	3.9	S	0.92	-4	17	12.0	MCU	0.0	H	1.21	0	0	0.0	CAB	1.5	H	5.91	13	37	11.1
							NWS	33.9	B	16.15	34	-7	13.7	CRG	1.6	H	7.50	18	-13	14.8
							PRT	0.0	H	0.67	19	-9	10.1	CSR	10.1	H	1.80	10	5	14.2
							SEK	9.2	B	7.41	34	-2	19.3	DOW	9.1	H	5.02	10	7	9.2
							TEN	15.4	B	1.49	41	-1	10.5	HIL	0.9	H	2.20	14	-5	12.9
							WAN	3.9	B	7.33	21	11	12.6	LEI	29.9	H	33.18	18	12	18.6
Transport							Materials													
AIO	19.2	B	1.60	25	-8	19.6	ABC	6.0	H	3.67	3	19	14.4	MND	5.7	H	17.71	6	28	17.6
AIX	3.0	B	2.02	9	6	12.6	AMC	35.3	B	6.81	15	9	14.8	MSL	0.3	H	3.86	1	45	19.6
CEU	3.4	S	0.45	-19	11	nm	BLD	15.2	H	4.42	21	2	15.2	NFK	0.2	B	1.10	32	12	8.3
ITO	22.7	NR	1.51	-	3	54.6	IPL	37.5	B	3.75	10	8	13.4	PRG	0.3	B	1.80	52	-10	6.7
MAP	15.8	B	3.10	13	9	nm	JHX	11.5	H	5.57	43	-11	31.8	SAI	1.1	H	4.48	3	17	16.0
MQA	1.9	S	1.54	-42	16	nm	NUF	9.6	H	4.79	-5	20	12.8	SDM	0.3	B	1.96	33	23	11.2
QAN	38.4	B	2.86	23	9	10.1	ORI	33.7	B	25.70	17	2	13.6	SKE	0.1	NR	1.43	-	11	12.6
TCL	21.0	H	5.34	-3	19	nm	PPX	0.8	H	0.47	19	-25	49.5	SLM	0.2	H	4.16	20	13	10.8
TOL	14.7	H	6.38	20	9	13.7								SPT	1.2	B	2.38	20	17	10.1
VBA	5.7	H	0.47	16	50	11.6								SVW	1.5	H	7.54	14	19	16.2
Health Care														TPI	2.0	H	1.29	14	16	16.6
ANN	8.1	H	13.60	4	3	15.2								TSE	5.7	H	3.49	22	5	11.8
COH	15.0	H	73.68	3	6	23.9								TWO	0.1	H	1.61	9	19	14.8
CSL	75.0	H	34.27	6	3	19.1								UGL	7.9	B	15.27	24	7	14.0
PME	0.0	H	0.56	25	0	nm								WDS	0.2	H	0.70	8	45	13.7
PRY	6.1	S	3.11	16	-8	10.4														
RHC	8.5	B	15.66	2	11	16.5														
RMD	13.7	H	3.25	23	-10	21.5														
SHL	13.5	H	10.93	18	5	13.8														
SIP	1.1	H	0.46	25	-3	11.5														

Source: GS&PA Research, IRESS

Conviction List Member

GS&PA Recommendation Summary

Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER	Code	Est. Liq \$Am	Rec.	Last Price	Return to target price	3m th price chg %	12m th Fwd PER		
Telcos							Metals							Energy								
HTA	0.0	H	0.11	11	5	36.7	ABY	0.6	H	1.38	24	42	4.8	AWE	3.5	B	1.60	50	-6	32.4		
SGT	4.5	H	2.47	5	0	12.1	AQP	8.9	B	6.27	23	38	21.3	CTX	11.2	H	12.61	-6	25	11.5		
TEL	8.8	H	1.63	1	4	11.0	AWC	39.8	H	2.22	8	37	107.7	ERA	4.8	S	12.15	-1	-12	20.8		
TLS	143.5	H	2.68	32	-15	10.4	BHP	603.7	NR	45.27	-	12	11.9	ESG	2.7	B	0.83	46	-9	1044.7		
							CGG	2.4	H	0.54	11	69	nm	NXS	2.3	H	0.46	-26	24	nm		
							EQN	9.3	B	6.34	18	22	12.4	ORG	39.1	B	16.46	21	6	22.3		
							FMG	67.1	B	6.82	18	52	10.7	OSH	28.9	H	6.82	-15	15	42.4		
							IGO	3.1	H	7.19	3	28	37.1	PDN	15.8	S	4.48	-25	12	52.8		
Gaming							ILU	12.5	B	7.10	27	30	35.4	RIV	7.5	H	12.05	7	19	294.4		
ALL	6.6	S	3.66	-7	2	21.3	IMD	0.3	H	1.40	7	67	12.7	ROC	1.3	H	0.44	14	13	47.6		
CWN	17.2	B	8.82	11	11	18.5	KZL	2.4	H	0.85	18	26	7.9	STO	72.6	B	13.08	22	-1	31.5		
TAH	26.1	H	7.42	8	17	10.3	MCC	18.0	B	12.41	33	-7	16.5	TAP	0.2	H	0.83	33	-13	nm		
TTS	10.1	H	2.54	10	15	10.6	MRE	1.4	H	0.80	31	7	43.2	WHC	7.0	NR	6.89	-	13	28.0		
							OZL	42.2	B	1.73	21	41	13.4	WOR	25.5	H	25.10	4	9	18.9		
							PLA	0.8	H	0.73	52	1	nm	WPL	87.5	H	45.75	18	9	18.5		
Steel							PNA	16.5	B	0.79	27	32	13.5									
AGO	9.7	NR	2.89	-	33	11.1	RIO	271.4	B	87.20	21	20	11.5									
BSL	29.8	B	1.98	30	-18	17.0	SFR	3.4	B	7.91	39	39	nm									
MGX	13.6	B	2.34	7	33	8.0	WSA	5.6	H	6.44	9	33	15.0									
MMX	4.3	H	1.38	33	-24	53.5																
OST	21.4	B	2.65	32	-15	9.6																
SGM	13.0	B	16.91	25	-4	16.5																
							Gold															
							AVO	5.6	NR	3.64	-	31	23.4									
							BDG	0.3	S	0.28	-29	51	46.2									
							DOM	1.1	NR	3.35	-	63	14.8									
							KCN	5.9	NR	11.15	-	14	13.6									
							MDL	1.4	B	1.22	11	46	16.8									
							NCM	170.4	B	42.84	24	25	26.5									
							SBM	6.0	B	0.47	38	59	19.0									

Source: GS&PA Research, IRESS

Conviction List Member

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Sell (S)	Stock is expected to underperform the S&P/ASX 200 for 12 months
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Buy (B)	Stock is expected to outperform the S&P/ASX 200 for 12 months

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Distribution of Recommendations – as at 30 September 2010

Recommendation	Overall	Corporate relationship* in last 12 months
Sell	7%	0%
Hold	57%	58%
Buy	36%	42%

* No direct linkage with overall distribution as the latter relates to the full GS&PA/GS&PNZ coverage (>250 companies). The above table combines the corporate relationships and recommendations of both GS&PA and GS&PNZ.