



HA1022 Principles of Financial Markets Trimester 1 / 2012

ASSESSMENT CASE STUDY

Work must be carried out in groups of 4 people.

The objective of this assignment is to assess the investment conditions in the Australian economy from Top Down Fundamental Analysis.

Students should proceed to the Reserve Bank Website:

<http://www.rba.gov.au/chart-pack/>

From here you can download graphs of key economic indicators. Then using these graphs analyse the recent history of the Australian stock market and form a prediction as to the investment conditions in the current Australian stock market.

The indicators must include the following:

- World Economy
 - GDP Growth World
- Australian GDP Growth and Inflation
 - Australian GDP Growth
 - Consumer Price Inflation
- Interest Rates
 - Australian Bond Yields
- Exchange Rates, Australian Dollar vs:
 - US Dollar, Euro and Yen

You should be looking at these indicators and comparing them to what happened to the stock market shortly after. In your analysis include a definition and/or background information on each indicator that you are analysing.

At the end of your report state your conclusion as to whether or not your analysis shows that current investment conditions in the Australian stock market are favourable.

Group Report Required:

Each group should prepare a report of no more than 10 pages outlining the above analysis and the selection of the resulting portfolio. Marks will be given for content not for length. **Anything over 10 pages will not be marked.**

Resources available

You should use the RBA website; this will give you easy access to graphs and reports on the Australian and world economies. You may also access additional information via the 'Australian Financial Review' newspaper or website, finance.yahoo.com; finance.google.com; Bloomberg.com; ft.com, www.asx.com.au, www.afr.com.au.

Notes:

1. Marks will be rewarded for in-depth analysis.
2. A good place to start would be re-reading Principals 4 investing in equity and chapter 7 of the textbook.
3. Write **all** group members names on the report.
4. All groups must submit their report via safe assign; only one submission per group is required.
5. The report is due on **Friday 5pm week 10**.
6. When writing the report, imagine that your audience are people that know nothing about finance or the financial markets. At each stage you will need to carefully explain what do are analysing and why. Do not think that just because your lecturer will know what this indicator means that you do not have to define it.

Please be aware of **PLAGERISM** and **COPYRIGHT** rules.

Do **NOT** just include in your report pages of printouts from the RBA website or you will receive **ZERO** marks.

You must reference, see the guide in the Additional Readings folder on Blackboard.

Assignment Marking Guide

Introduction

- Introduction (1 mark)
- Overview of the Australian economy (1 mark)

Fundamental Analysis

- Top down analysis
 - Data gathering and presentation (6 marks)
 - Analysis (10 marks)

Conclusion

- Is the Australian share market good to invest in currently?
- **Why; this must be related back to the analysis and explanation! (2 marks)**

Notes:

- 60% of the marks come from the analysis that the group must perform. If there is just secondary data in graphs, the assignment can only achieve 30% at most.
- The assignment needs to read as if it is one person's work. Marks will be deducted if the assignment is not coherent.
- Even though there are not marks allocated for references; not including any will result in a mark of zero.