

THE Market Place.

Keeping AAP Reuters Economic Services Clients in Touch.

F E B R U A R Y 1 9 9 3

WELCOME TO THE MARKET PLACE,

I take great pleasure in welcoming you to the first edition of The Market Place, a bi-monthly newsletter designed to keep our clients better informed. In talking with many of you, it became evident that a publication of this kind would be warmly welcomed.

We will use this medium as an aid in sharing with you a wide range of information about our operations, including new products and services, staff updates and other factors which may affect all or some of you.

Also planned are lively columns of news and views from around the national markets, topical issues, people, letters to the editor, politics and general interest items. In addition, we will be actively canvassing for contributions from the market on specialist topics.

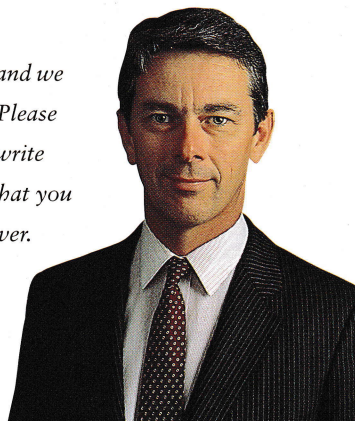
This initiative is part of our overall plan to considerably boost our customer support and service capability across the board. We have already expanded our front-line account support personnel to provide more frequent personal contact with our customers. Expansion of our Customer Assistance Centre is under way, which will include additional help facilities for those users needing further instruction or information about the use of our products which are becoming more and more sophisticated with the rapid progress of technology and applications.

There is no doubt the year ahead presents many challenges for us all. May I take this opportunity to wish you every success in meeting these challenges in order that 1993 sees a real growth in confidence and prosperity.

It has been our pleasure to serve you and we look forward to doing so in future. Please remember, feel free to telephone or write with any comments or suggestions that you feel could be of any benefit whatsoever.

John Lowing

GENERAL MANAGER
FINANCIAL MARKETS SERVICES
JOHN LOWING



Financial Markets Caught up in Election Issues.

By Max Wals

FINANCIAL MARKETS will find themselves in the uncomfortable and unusual role in Australia's federal election of being an issue rather than just an interested bystander.

Liberal leader John Hewson's early focus on the declining value of the Australian dollar and the immediate government response that he was "talking it down" are a hint of what the campaign will bring.

Both sides will be seeking to assert their credentials as being able to restore stability to the exchange and money markets.

The opinion polls indicate the election outcome is still too close to call.

This has forced the Coalition into a reassessment of its economic program and the launching of Fightback II. The central element of the new program, from the electorate's point of view, is that the proposed Goods and Services Tax has been watered down by removing food from the items to be taxed.

Of more significance for financial markets however is the proposal contained in Fightback II of a large infrastructure program of public works to be financed by the proceeds of federal asset sales.

In terms of economic management, a Hewson government is proposing to increase the structural deficit—a policy which Hewson has adamantly rejected in the past.



Labor will probably match and exceed any Coalition spending promise.

This auction will take place at a time when present policies are propping up the dollar with Reserve Bank intervention an unsustainable.

Official reserves have reached record low levels. *Cont on page 2.*

AAP Reuters Terminal Delivers the Goods for Rothschilds

AT 1.57 PM ON THURSDAY, JANUARY 21, AAP Reuters Economic Services' screens flashed a message that ignited frenzied activity in the Rothschild fixed interest dealing room.

Associate Director Rob Goodlad of Rothschild Australia Securities Limited remembers the time precisely.

"You had the Average Bond Tender figure three or four minutes before any competitor service," he said.

"There was plenty of shouting going on," he added. "It was a bit of a nasty result so the market sold down".

At the same time the Australian dollar was being sold heavily and all eyes in Rothschild's Treasury Department were also on the screens.

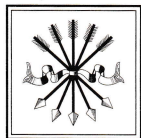
"The information was vital," said Goodlad.

"We realised we had received stock in the tender and we certainly knew we had to hedge. We had to move fairly quickly and it was good to have that early break."

Goodlad looks after an institutional client base dealing in wholesale bonds, semi-government securities and corporate debt. He acts as advisor, strategist and price maker to execute client deals.



ROB GOODLAD OF ROTHSCHILD AUSTRALIA SECURITIES LIMITED



ROTHSCHILD AUSTRALIA

WHILE ROTHSCHILD Treasury's core business is bullion, Goodlad and a team of 10 established a full-scale fixed interest trading and broking operation here four-and-a-half years ago.

"We have pioneered a lot of work in Australia in the over-the-counter options market and would rank among the top three in thisfield," he said.

"We pride ourselves on tailoring strategies to suit client needs in the OTC options market niche."

Clients include life offices, public utilities, corporates, friendly societies and overseas investors.

"Strategically we are trying to provide the highest rate of return for the lowest risk. Typically, when we tailor a strategy according to our clients views of the market, we have to take the other side of a deal or we have to hedge it.

"This is where the Reuters Terminal comes in so very handy," he said.

"We would look at say exchange traded options, futures, physical rates in the markets, three and 10-year bonds, and of course the release of economic data - what is coming up, when it's due for release and what the result is.

"Without a doubt the screen information is a vital part of business today. AAP Reuters Economic Services is generally considered quicker.

"With the market so competitive these days, it is very hard to make a non-risk dollar, so the speed of information is absolutely critical."

Goodlad also uses his Reuters Terminal for a start-the-day briefing.

He has constructed a composite page known as "overnight" which gives him the latest international and domestically traded after hours interest rates, key currency and commodity prices and stock indices. If there has been any significant overseas activity he calls up commentary pages such as NYFJ to judge reaction.

Later in the day he will work with pages set up for information on bond and bond futures, a chart of 10-year bond movements, currencies and gold and international and Australian news related to the financial markets.

Rothschild has been in Australia since 1967 when it held a 30 per cent share in International Pacific Corporation. It became a 100 per cent family owned operation in 1986 and has offices in Sydney, Melbourne, Perth, Brisbane and Adelaide and a staff of about 250.

Its Sydney headquarters will move in May from the Singapore Airline building in Bridge Street to levels 16 at One O'Connell Street.

Rothschild was among the first and largest users to switch over to the new Reuter Terminals in February 1991, replacing 16 of the long-serving Monitor screens.

They will also be one of the best test sites for the AMQ Fixed Interest Analysis (AFIA) product to be released on March 1 and which is discussed in detail on the following page.

Goodlad sees AFIA, with its ability to deliver a dynamic feed of up-to-the-minute information into Rothschild's own system, as being of immense value to their future operations.

AMQ

YOUR TRADING PARTNER

AMQ FIXED INTEREST ANALYSIS (AFIA)

New Flexibility for Fixed Interest Traders

AAP REUTERS ECONOMIC Services will launch a new fixed interest analysis product (AFIA) nationally on March 1 to complement its existing range of AMQ services.

AFIA will provide the most comprehensive, up to date prices for Australian government, semi-government and selected corporate bonds in Australia.

AFIA runs in conjunction with AMQ Money in a Windows environment that allows numerous prices and instruments to update simultaneously.

The AMQ suite of products provides live, domestically-sourced information plus selected international Monitor pages for FRAS, SWAPS and Options contributors.

Other established AMQ products are Equities, News and Graphics, plus the ability to import details of any securities traded into the Microsoft Excel spreadsheet program for further detailed analysis.

Marketing Manager Peter Jones says the new AFIA product meets the needs of the inter-bank fixed interest market and is designed particularly for portfolio/ funds managers and investment houses.

"It is cheaper, far less complicated and easier to use than its DOS-based rival and will appeal to price takers, retail/distribution managers and other

investors who currently use only a few components of the alternative product," he said.

"We will be marketing it to banks, share brokers, semi-government authorities, fund managers, insurance companies, superannuation boards and large public companies."

The AFIA launch will include a slide presentation, hands-on demonstrations and training for groups of up to 20 people.

Data is sourced from Australian Gilt Securities (AGS) Limited, one of Australia's leading fixed interest dealing houses. Prices will be updated continuously throughout the trading day for active issues, with inactives automatically priced as a spread over the most appropriate active issue.

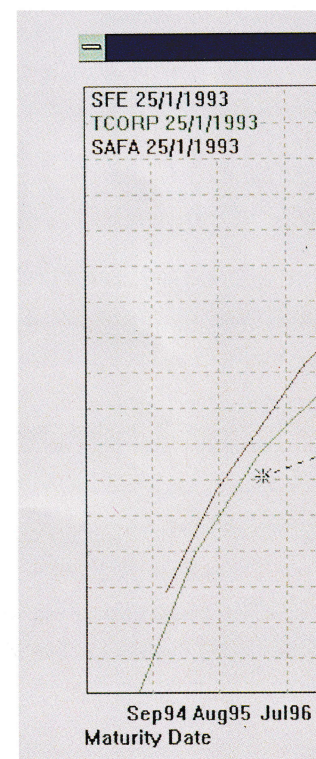
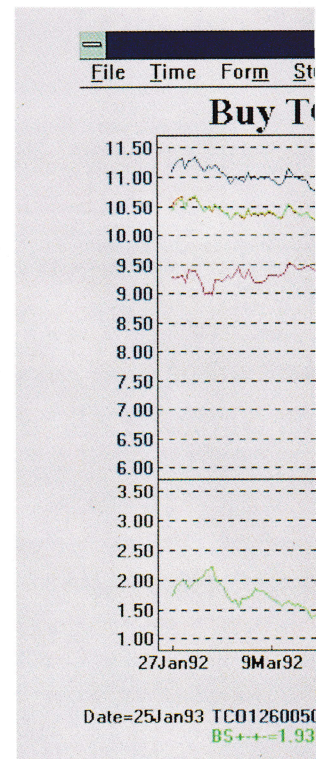
A historical data base will also provide the daily bond closing prices for the past year, with weekly and monthly closing prices extending back for up to seven years.

The ability to compare numerous yield curves (both historical and current) makes trading opportunities and portfolio management comparisons easily recognisable.

Spread analysis in AMQ Graphics displays the net spread of up to five different securities, with the flexibility to change which stocks are

purchased and which are sold press of a key.

Like all studies in AMQ Graphics the charts and underlying data can be transferred into other Windows programs such as Excel for further manipulation, printing or output to desktop publishing programs.

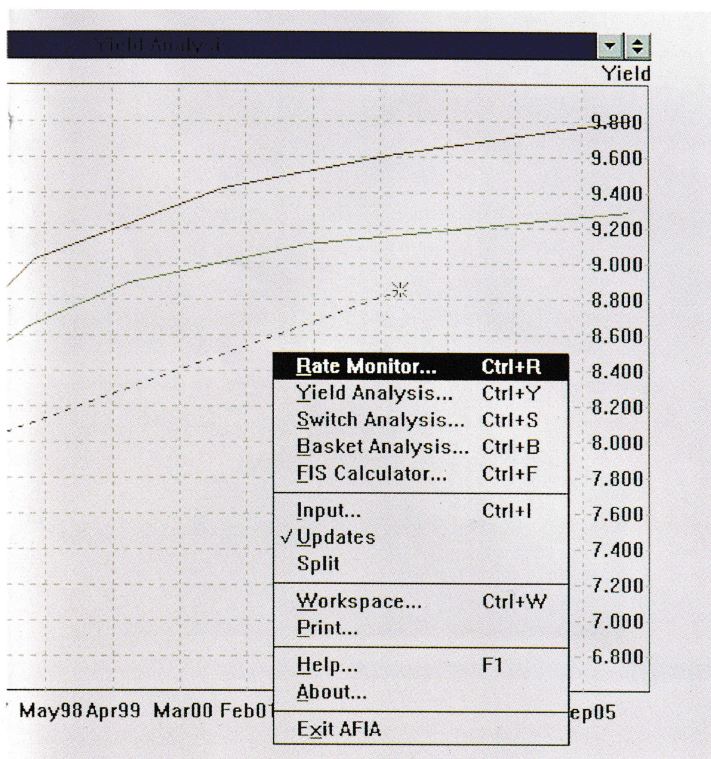
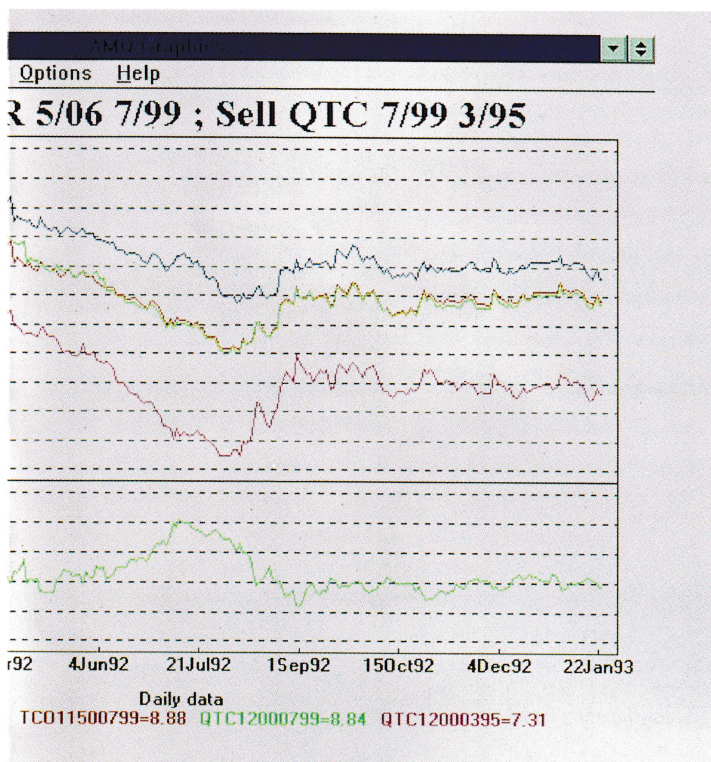


AMQ GRAPHICS CAN CHART UP TO 5 SECURITIES AT ONCE, AS WELL AS THE NET SPREAD OF BOUGHT AND SOLD STOCK. THE SPREAD (SHOWN ABOVE RIGHT) FOR BUYING TCOR AND SELLING QTC OVER THE LAST 12 MONTHS RANGED FROM 135 TO 305 BASIS POINTS.

AFIA CAN CHART UP TO 9 YIELD CURVES AT ONCE, BOTH HISTORICALLY AND LIVE. LIVE UPDATES ARE TURNED ON AND OFF BY CLICKING THE MOUSE ARROW (SHOWN RIGHT) ON THE UPDATES COMMAND.

AFIA's four modules are:

- **Yield Analysis** - displays up to nine yield curves plotted on a maturity versus yield graph
- **Switch Analysis** - translates a portfolio of security cash flows into a measure of duration
- **Basket Analysis** - identifies arbitrage opportunities between a bond futures contract and its associated basket of securities.
- **FIS Calculator** - provides a simple means of pricing bonds, futures and options. Calculates the hedge ratio and cash and carry results for individual securities.



DID YOU KNOW?

A BRIEF GUIDE TO WHAT'S NEW AND EXCITING IN AAP REUTERS ECONOMIC SERVICES' PRODUCTS

AMQ UPDATE

■ AMQ GRAPHICS NEW FEATURES.

All AMQ Graphics subscribers (other than Securities Package) will receive this new release, which will allow users to save chart displays and relevant studies and trendlines under user-defined names.

- This graphics package allows the display of up to five instruments on each chart

- Additional studies and functionality are provided in the new release.

■ LIVE FIXED INTEREST SECURITIES.

AMQ MONEY now allows permissioned subscribers to access a new database containing live fixed interest securities. A codesearch facility has been provided that enables users to access and insert fixed securities into quotelists via a dialog box accessed from the main AMQ menu.

■ MACROS.

AAP Reuters Economic Services now supplies a free Macro to AMQ subscribers using Microsoft Excel that allows for faster and more concise methods of entering AMQ-supported data in Excel.

■ SCREENS.

The AMQ service supports a Multiwindow environment whereby users can view AMQ-supported data across three screens, all controlled from the one PC mouse and keyboard, allowing users to view news on one screen, and live quotes or graphs on another, while the third screen monitors your charts portfolio on a realtime basis.

RT FACTS

■ FONTS.

You can now change the size and style of the text displayed in either the entire window or an individual window pane.

■ COLOURS.

The colours - red in particular - have been made a lot brighter to allow you to see updates in the markets more clearly.

■ EXTENDED CROSS REFERENCING.

When you see items of interest on screen, you can quickly display related data using the mouse. Double click on any RIC shown in a Quote List, Quote Chain or Ticker to display a full quote.

■ POP-UP WINDOWS.

Pop-up windows enable you to display related data without losing your existing display. The related data is displayed in a window overlaying the existing display and can be removed when you have finished reading it.

AAP REUTERS ECONOMIC SERVICES
head office is at 88 Pitt Street in Sydney.

We also maintain offices in Melbourne, Brisbane, Adelaide, Perth and Canberra and following are a list of contact numbers and addresses:

SYDNEY 224 8100
6th Floor, 88 Pitt Street.

MELBOURNE 619 9300
Level 5, 530 Collins Street.

BRISBANE 834 9905
7th Level, Riverside Centre, 123 Eagle Street.

ADELAIDE 238 4300
10th Floor, 121 King William Street.

PERTH 421 2211
12th Floor, Allendale Square,
77 St George's Terrace.

CANBERRA 239 8989
131 Canberra Ave
Griffith

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While the Reserve can always raise money through the global central banking system, it has to demonstrate that it is not defending the indefensible.

Given that Australia is presently running a current account deficit of the order of 4.5 per cent of GDP (around \$18 billion a year) and that this is now being entirely financed by public borrowing and Reserve Bank asset sales, the credibility of the exchange rate has to be under question.

There is only one feature of the current economic scene which holds out real hope for the Australian dollar and that is the recovery of the US economy and the ability of that to drag the rest of the world

out of recession.

Even with sustained recovery in the US, nobody expects a return to strong growth there or anywhere else.

This means that both the election campaign, where we can expect commitments made on the run, and the outcome of the campaign, will keep financial markets highly active.

Under existing economic circumstances, a Coalition win would conceivably see interest rates increased in order to prevent any further depreciation of the Australian dollar on the grounds that we are close to reigniting inflation. That could push the economy back into recession.

AAP Covers All the Election Action, Fast

WHATEVER ITS TWISTS AND turns, AAP journalists will provide the fastest and most comprehensive coverage of the election campaign of any Australian media.

Canberra bureau correspondents will travel with the leaders of the three main parties throughout, from capital cities to dusty country towns in all parts of the country, filing on merit several times a day.

Rival party campaign headquarters in Sydney make certain AAP is aware of the daily schedule of all ministers and shadow ministers and they are covered by journalists based in the various states.

Staffers also monitor the national radio and TV networks to keep abreast of any exclusive interviews or

unguarded comments by senior political figures in response to talkback hosts or questions from the public.

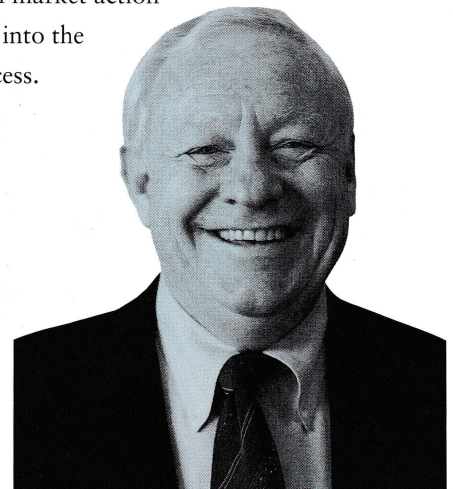
AAP's Finance Desk maintains an alert watch on this volume of copy to keep subscribers in the market informed on a minute-by-minute basis of any important developments.

Added to this are the regular backgrounders, political and market analyses and assessments that help explain the state of play at critical points of the campaign.

AAP Reuters Economic Services subscribers will receive alerts and quick text coverage on any market-moving events - be it the dollar's rise or fall, major statistics, announcements from Canberra or important international events.

A Labor government would probably be prepared to risk inflation by allowing the dollar to fall.

The unsustainability of the present policy mix dictates a period of turmoil in financial markets between now and the election, with market action feeding back into the political process.



AAP Reuters Economic Services' Focus is Top Customer Service

THE DRAMATICALLY upgraded Customer Services Division at Glebe highlights AAP Reuters Economic Services renewed commitment to ensuring top quality service for its clients.

It will focus on providing a much more extensive service to subscribers, covering all products and services delivered by the AAP Group.

The division, headed by Customer Services Manager Jeff Rollason, provides front line support to all AAP Information and Communication Services clients 24 hours a day, 365 days a year.

Some 2,000 calls a month are received by the Customer Assistance Centre at Glebe, ranging from news service enquiries to detailed faults on sophisticated dealing systems.

Staff are committed to giving a high standard of service and respond to client needs fast and efficiently. AAPs' extensive resources are utilised to minimise downtime for clients and all faults are pursued until they are cleared.

The Centre is staffed from 6 a.m. to 9 p.m. and outside those hours calls are diverted to the ASPEN voice messaging system which automatically pages an on-call supervisor with client details.

It supports more than 120 AAP RES products, making it one of the largest service providers in Australia.

When a call is made to the Customer Assistance Centre from anywhere in the country, it is recorded on an automatic call-tracking system.

Once details of the problem are obtained, it is passed on to an engineer attached to the Centre or to one of a

pool of duty technicians who can attend the customer site. With advanced computerisation, a fault can often be corrected within minutes by an engineer without leaving his desk.

If a fault cannot be rectified quickly, escalation procedures are put in place to advise the relevant product managers, who will also liaise with clients to help find a way round the problem.

New equipment enables the real time display and monitoring of Assistance Centre performance in such areas as quality of service, response times, and provides historical reports and traffic analysis.

Rollason, who joined AAP last year after 20 years in the communications industry, is strongly committed to the customer-oriented approach.

He has enhanced the already high calibre of staff with training programs and further recruitment and organised smart new staff uniforms.

Under his direction, Customer Services representatives will also call on clients at their premises to establish personal links.

"Given the decline in the economy, it is imperative that AAP retains each and every existing customer by providing high standards of customer service satisfaction.

"Clients must be provided with a quality service level which exceeds any market competition.

"If we can say that a product has support 24 hours a day, that is maintained in Australia and that we have a rapid response and restoration time, then a customer feels confident

TWO BIG GOLF DAYS AND A DINNER

The AAP Financial Markets Len Evans Charity Golf Day at the Pennant Hills course on Friday, February 19 is completely sold out.

But places are still available at the black tie dinner at the Regent of Sydney that night.

Both events promise to be even more fun than usual this year with new sponsors, prizes and exciting auction items.

But the serious purpose is to equal last year's amazing feat of raising One Million Dollars for charity in a single day.

The AAP Group's Melbourne Financial Markets Charity Golf Day on Friday, February 12, is also booked out.

The event, played annually with a field limited to 100, is held at The National at Cape Schanck.



SOME OF THE CUSTOMER LIAISON EXECUTIVES WHO RESPOND TO CLIENT QUERIES AT AAP REUTERS ECONOMIC SERVICES HEADQUARTERS AT 88 PITT STREET, SYDNEY.

about buying the product."

The telephone numbers to call for Customer Assistance around Australia are:

NATIONAL	008 023 176
SYDNEY	692 1999
MELBOURNE	612 9166
BRISBANE	834 9566
ADELAIDE	238 6366
PERTH	220 3766
CANBERRA	239 8989

Local calls on the interstate numbers are automatically routed via the AAP Telecommunications network to the Customer Assistance Centre in Sydney.

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