

News & Views

Sydney hope amid auction doom and gloom

Sydney auction results continue to show small incremental improvement. The clearance rate was up one per cent to 63 per cent after 183 properties were reported sold at auction on Saturday the 28th of February for a combined value of \$128 million, all up slightly on the results from the previous week, and on last year's depressed Sydney results for the same weekend. In Melbourne the clearance rate was down to 61 per cent after only 110 out of 591 properties put up for auction sold on the day for a total sale value of \$49 million. On the same Saturday last year 507 residential properties sold at auction in Melbourne for \$248 million. Only eight properties sold in Adelaide on Saturday, down from 58 last year, but up from five last week. In Brisbane there was just 10 successful auctions, down from 19 last week and 36 on the same weekend last year.

NAB to open new business banks

National Australia Bank is looking for sites around Australia to open as many as 12 new business banking centres this year. And the bank has hired about 70 of a budgeted 150 to 200 new business bankers. NAB executive general manager business and private banking, Joseph Healy described traditional business banking as a core strength for the bank. The bank is growing business banking share, with growth at 1.3 times system. NAB is hoping to repeat its' performance during the 1990 recession, when it avoided trouble and was able to pick up a lot of business customers. Its growth in that area set it up as the dominant Australian bank in the 1990s.

Debit cards taking over from credit

Debit card transaction volumes will overtake credit cards within 12 months according to analysts. The number of debit card transactions rose 35 per cent in the two years to December 31 says figures released by East & Partners. At merchants with a turnover of more than \$1 million, 24.6 per cent of all sales are now paid for with a debit card, compared with 26.5 per cent that are paid for with a credit card.

Bill payers go online

A survey by TNS, commissioned and published by BPay found a "continued decline in traditional payment methods as the online channel continues to grow." This study found that 86 per cent of Australians used the internet to make a bill payment last year, an increase of six percentage points over 2007 figures. The study found 77 per cent of people made payments by direct debit, 54 per cent queued to make payments (for instance, at the Post Office, bank or merchant) and 19 per cent paid by cheque. Of the 86 per cent who paid a bill online, almost three quarters (71 per cent) used the BPay service. BPay estimated that households and businesses paid for 38 per cent of all bills via banks and credit unions using BPay, followed by direct debit (27 per cent), direct to biller (21 per cent) and Australia Post (nine per cent). BPay has more than 16,000 billers and is adding new biller codes at a rate of approximately 1,000 per year.

National Market Ranges

Home Loans

Standard Variable	4.98 - 6.95%
Basic Variable	4.88 - 6.24%
1 Yr Intro	3.99 - 6.24%
3 Yr Fixed	5.19 - 7.01%
Investment Variable	4.98 - 6.95%

Deposit Accounts

Cash Mgmt \$10,000	0.01 - 5.50%
Cash Mgmt \$50,000+	0.25 - 5.50%
Online Savings >\$5,000	0.01 - 5.00%
Savings >\$2,000	0.01 - 4.75%

Investment Accounts

Interest paid at maturity or per annum

\$10,000, 90 Days	1.00 - 4.45%
\$10,000, 1 Year	1.60 - 4.01%
\$10,000, 3 Years	1.60 - 4.80%

SEE PAGE 4 FOR THIS WEEK'S RATE MOVEMENTS

SEE PAGE 3 FOR A FEATURE ON QANTAS FREQUENT FLYER

Aussie banks downgraded

The credit ratings of Australia's big banks is under threat says ratings agency Moody's. Moody's said it had placed a warning on Commonwealth, ANZ and Westpac. Moody's placed a similar warning on NAB late last year. Australia's big four banks are among 12 banks worldwide with a rating of AA1 or above. Moody's said there was a risk that the damage to the banks' lending books could last for years. Patrick Winsbury, a senior vice-president in Moody's Sydney office, said: "The negative outlook reflects the potential for the deepening global economic downturn to have a protracted impact on the banks' asset quality and earnings."

Industry seeks govt incentives to boost new car sales

The car industry is urging the Federal government to consider cash bonus schemes, similar to those used in Europe, to encourage people to trade in their old cars for more environmentally friendly models. As well as assisting and protecting jobs in this troubled sector, the focus is to also provide more affordable new car options and accelerate the demise of inefficient cars. An average age of 9.7 years for a passenger car in Australia is considered to be relatively old. Toyota Australia President Max Yasuda said the "whole industry was now preparing ideas that we can put to the government", to stimulate the economy as well as further protect the environment. The industry is expecting new car sales forecasts to drop by 12 per cent, to 880,000 vehicles sold this year.

New Products, Rates & Fees

Transaction account offers high interest rate

AMP will launch a new high interest transaction account called 'AMP First' next week as a key part of its' redevelopment of the AMP Banking business. The AMP First account will offer a market leading interest rate of 4.35 per cent and is targeted at young adults who prefer to do their banking over the internet and telephone. AMP hopes to pick up market share as a result of the demise of the Virgin Money brand as well as the takeovers of BankWest and St George. AMP is investing heavily in marketing of the AMP Banking business that has been largely neglected by the financial group since 2003.

Interest Rates & The Economy

RBA keeps rates on hold

The Reserve Bank chose to keep rates at 3.25 per cent when it met for its monthly board meeting yesterday. With cuts of 400 basis points since September last year, this is the first time in six months that the RBA has decided to sit tight and keep monetary policy on hold.

According to RBA governor Glenn Stevens's statement on monetary policy, the Bank chose to leave rates unchanged because it needs to see how the economy reacts to the federal government's stimulus measures and the previous cycle of rate cuts.

Stevens said: "In Australia, demand has not weakened as much as in other countries and, on the basis of currently available information, the Australian economy has not experienced the sort of large contraction seen elsewhere. The Australian financial system remains strong and the monetary policy transmission process is working to deliver large reductions in interest rates to end borrowers...Together with the substantial fiscal initiatives, the cumulative decline in interest rates will provide significant support to domestic demand over the period ahead."

The RBA's decision on Tuesday to leave rates unchanged was announced the day before Australia's December quarter national account figures were released. Gross domestic product fell by 0.5 per cent in the last three months of 2008, the first slump in growth in eight years. Most economists seem less optimistic than the RBA and are predicting another contraction in the economy for the March quarter. Two consecutive quarters of negative growth will mean that Australia is officially in a recession.

While the central bank has kept its powder dry on this occasion, it's very unlikely that it has reached the end of its easing cycle. The employment outlook in Australia is likely to weaken further and commentators are predicting unemployment will go as high as 5.5 per cent by mid year. The current reporting season is looking less than promising and conditions in Europe and the United States are looking uglier by the day. Plus, the predicted 30 per cent slump in global commodity prices will have dire implications for Australia's national income. Eight of Australia's top 10 export markets are already reported to be in recession.

Even if the Rudd government announces more spending measures to stimulate the economy, the reality is that Australia's resilience to rapidly deteriorating global demand can only last for so long.

As a result, market pundits are predicting that the RBA will be forced to make more cuts when it meets again in April. Rates are expected to go as low as 2.25 per cent over the next six months as the global

economic downturn continues to unfold.

Next Week's Announcements

Mon	9 Mar	-
Tue	10 Mar	Aust NAB Business Confidence / Conditions (Feb) Aust ANZ Job Advertisements (Feb)
Wed	11 Mar	Aust Housing Finance (Jan) Aust MI/WBC Consumer Sentiment (Mar)
Thu	12 Mar	Aust Labour Force (Jan) Aust MI Unemployment Expectations (Mar) Aust MI Consumer Inflation Expectation (Mar)
Fri	13 Mar	-

Industry Analysis

Government steps in as margin calls explode

The number of margin calls made against Australian investors in the six months to the end of December rose 458 per cent as the market fell 40 per cent. Brian Phelps, executive manager of CFDs and geared investments at CommSec, said the bank is sending clients SMS messages before a margin call to give them time to either put in more money or increase their equities. The Minister for Super and Corporate Law Nick Sherry said on Tuesday that the regulation of margin lending would be "greatly improved" by ensuring disclosure would be clear. Sherry also confirmed margin lending would have its own tailored responsible lending obligations.

Banks need protection from short sellers

At least three big hedge funds are waiting for the government ban on short selling to expire this Friday to drive down the share price of Australia's big banks according to an industry source. Australia is the only nation still with a ban on short selling. The chairman of ASIC, Tony D'Aloisio, said the corporate watchdog had yet to decide whether to extend the ban. The chief executive of the Australian Banking Association, David Bell, said the ban must be renewed.

Scam Watch

60,000 credit card details stolen

Sixty thousand credit card customer records held by a internet domain name reseller, Bottle Domains, have been stolen and offered for sale to criminals on a hackers website. NAB has confirmed that fraud has been detected on some of the stolen card numbers while Commonwealth Bank says it is closely monitoring card transactions. An Australian Federal Police spokeswoman confirmed that a 22 year old Perth man was arrested soon after the postings to the website. He appeared in the Perth magistrates court on 10 February charged with dishonestly dealing in personal financial information. Domain name regulator - au Domain Administration Ltd (AuDA) sent an email to all Bottle Customers informing them of the security breach. The email warning included a warning to Bottle Customers to keep a watch on their credit-card accounts.

Sources: InfoChoice, The Sheet, Australian Property Monitors, eCommerce Report, Herald Sun, Sydney Morning Herald, The Australian Financial Review, The Paypers

Card issuers adjust to new Qantas Frequent Flyer rules

One surprising outcome of the transition to the direct earn points system being introduced by Qantas Frequent Flyer (QFF) is that two credit card issuers have decided to put all their cardholders into third party schemes and discontinue their proprietary schemes.

National Australia Bank now offers its credit card customers a choice of FlyBuys, Qantas Frequent Flyer or Virgin's Velocity program. It is discontinuing NAB Gold Rewards. St George Private Bank is also moving its card customers into third party programs.

Industry sources say it is too early to pick whether NAB is setting a trend but the bank's move is a reflection of the competitive advantage enjoyed by airlines in the rewards market.

Last year QFF announced that that it wanted to deal directly with participants in its rewards program rather than through credit card issuers. Under existing arrangements cardholders earned points in their card issuer's rewards program and then elected to have some or all of them transferred into their QFF account.

QFF said this arrangement lacked transparency, was complex and created a situation where conversion rates varied from one card issuer to another.

Its solution was the "direct earn" system, which means that QFF participants will have points earned on their spending accrue frequent flyer points directly. QFF set a deadline for program members to decide what they wanted to do with their accrued points.

Members of the QFF program have until the end of March to decide whether to transfer their points from their credit card rewards program into their QFF account. From April 1 members will have to use a card that is directly linked to QFF to earn Qantas frequent flyer points on their credit card spend.

To facilitate this change card issuers have adopted one of three options: issue new cards offering only the Qantas program; give card holders a choice of programs with their existing cards; or migrate all card holders into the QFF program.

The most popular option has been the opt-in approach, where issuers allow customers to keep their existing card and give them the choice of staying in the issuer's rewards program or opt for the QFF program.

Commonwealth Bank created a facility where users of its Commonwealth Awards and Commonwealth Awards Gold cards could choose the Qantas Frequent Flyer program or stay with the Commonwealth Awards program. ANZ (for some of its cards), Citibank and Suncorp have also adopted this opt-in approach.

Less common is the approach of issuing new cards. Westpac took this approach last October when it launched a new Earth Platinum Qantas

Frequent Flyer card. Spend on the card goes directly into the Qantas program and is not linked to any Westpac rewards program. The bank also gave users of its Altitude credit card the option of remaining in the Altitude rewards program or moving across to the QFF program. ANZ notified users of its Rewards Visa and Rewards Diners Club back in September that they would no longer have access to the QFF program. Those customers have access to frequent flyer programs run by Air New Zealand, Singapore Airlines, Cathay and Virgin Blue.

ANZ did not have to make any changes to its ANZ Frequent Flyer Visa and Diners Club cards which already operated on a direct earn basis with QFF.

A NAB spokesperson said the bank was in the process of notifying its credit card customers that NAB Gold Rewards would be wound up. The program is no longer on sale and from April redemption options will be reduced.

The bank's view is that the QFF program offers better rewards value for its customers. Redemptions for QFF points has been the dominant redemption chosen by NAB Gold Rewards members.

Credit card industry analyst Mike Ebstein, of MWE Consulting, said NAB's decision to offer only third party reward programs reflects the strong position that airline programs hold in the rewards program market.

Members of programs such as QFF, Velocity and Skywards (the Emirates program) can aggregate points from flights, hotels and other partners with points from their credit card spend to earn rewards more quickly. Members of card issuer reward programs cannot aggregate their points in the same way because airline points cannot flow into issuer schemes.

QFF has enhanced the strength of its offer by launching Qantas Store that offers non-flight rewards and vouchers.

The NAB spokesperson acknowledged this, saying the range of awards QFF offered was superior to what was on offer through NAB Gold Rewards.

Ebstein says it is a logical move but one that carries some risk and cost. Under an arrangement where a bank's credit card customers are all members of third party reward programs the issuing bank has no opportunity to promote its own brand. Its card operation becomes a conduit for other programs.

Another factor is that the redemption of points is taken out of the bank's control, which has some cash flow implications.

The jury is out on whether NAB is setting a trend by getting out of proprietary rewards. It will be an interesting market to watch.

This Week's Rate Movements

Home Loans - Standard Variable Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
Bank of Queensland	Standard Variable	B	6.91	5.99	27/02/2009	-0.92
Community First Credit Union	True Value Variable Home Loan	B	6.74	5.74	2/03/2009	-1.00
Illawarra Credit Union	Standard Variable Loan	B	6.75	5.75	1/03/2009	-1.00
Mortgage House	Freedom Home Loan	B	6.11	5.25	3/03/2009	-0.86
MyState Financial	Variable Home Loan	OO	6.83	5.91	27/02/2009	-0.92
Queenslanders Credit Union	Original Home Loan	OO	6.33	5.33	27/02/2009	-1.00
Railways Credit Union	Home Mortgage Loan	OO	6.55	5.55	1/03/2009	-1.00
RAMS Home Loans	RAMS Standard Variable	B	5.59	5.69	27/02/2009	0.10
RTA Staff Credit Union	Home Loan Standard Variable	B	6.89	6.14	3/03/2009	-0.75
Suncorp	Standard Variable	B	6.90	5.90	27/02/2009	-1.00
Transcomm Credit Union	Home/Equity Loan	OO	6.50	5.70	2/03/2009	-0.80
Unicom Credit Union	Standard Variable Home Loan	B	6.75	5.75	1/03/2009	-1.00

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

Home Loans - 1 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	5.38	5.16	2/03/2009	-0.22
Australian Central Credit Union	Fixed Rate Home Loan	B	5.89	5.79	5/03/2009	-0.10
Bank of Queensland	Fixed Loan	B	5.89	5.69	27/02/2009	-0.20
Better Option Home Loans	BetterOption Fixed Rate Home Loan	B	5.70	5.44	4/03/2009	-0.26
Community First Credit Union	True Fixed Home Loan	B	6.19	5.89	2/03/2009	-0.30
Illawarra Credit Union	Fixed Rate Loans	B	5.95	4.95	27/02/2009	-1.00
LaTrobe Financial Services	Housing Loan	B	7.12	6.12	27/02/2009	-1.00
Newcastle Permanent Building Society	Fixed Rate Home Loan	B	4.99	4.79	27/02/2009	-0.20
Police Credit	Housing Loan	OO	5.59	4.99	27/02/2009	-0.60
RegionalOne Credit Union	Fixed Loan	OO	5.29	5.09	2/03/2009	-0.20
Unicom Credit Union	Fixed Rate Home Loan	B	5.95	4.95	27/02/2009	-1.00
Westpac Banking Corporation	Fixed Options Home Loan	OO	5.99	5.45	27/02/2009	-0.54
Yes Home Loans	Equity Access Fixed Rates	B	5.49	5.70	3/03/2009	0.21

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

Home Loans - 3 Year Fixed Rates

Institution	Product	Avail	Old Value	New Value	Date of Change	Change Value
A M O	AMO Fixed Rate Home Loan	B	5.95	6.16	2/03/2009	0.21
Australian Central Credit Union	Fixed Rate Home Loan	B	6.19	5.99	5/03/2009	-0.20
Bank of Queensland	Fixed Loan	B	6.19	6.14	27/02/2009	-0.05
Bendigo Bank	Fixed	OO	6.49	6.14	27/02/2009	-0.35
Better Option Home Loans	BetterOption Fixed Rate Home Loan	B	5.49	5.34	4/03/2009	-0.15
Community First Credit Union	True Fixed Home Loan	B	6.19	5.99	2/03/2009	-0.20
LaTrobe Financial Services	Housing Loan	B	7.24	6.24	27/02/2009	-1.00
Newcastle Permanent Building Society	Fixed Rate Home Loan	B	5.44	5.19	27/02/2009	-0.25
Police Credit	Housing Loan	OO	6.99	6.49	27/02/2009	-0.50
RegionalOne Credit Union	Fixed Loan	OO	5.99	5.89	2/03/2009	-0.10
Westpac Banking Corporation	Fixed Options Home Loan	OO	5.19	5.39	27/02/2009	0.20
Yes Home Loans	Equity Access Fixed Rates	B	6.06	6.45	3/03/2009	0.39

Key: (OO) - Owner Occupied (I) - Investment (B) - Both

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