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MARKET HIGHLIGHTS

Rate / Index / Com	1-Aug-08	24-Jul-08	Change	26-Jun-08	% Change
Official Cash Rate	7.25%	7.25%	● 0.00%	7.25%	● 0.00%
Federal Funds Rate	2.00%	2.00%	● 0.00%	2.00%	● 0.00%
5 Year Bond Rate	6.05%	6.26%	▼ -0.210%	6.64%	▼ -0.59%
90 Day Bank Bill Rate	7.60%	7.73%	▼ -0.130%	7.78%	▼ -0.18%
\$AUD (US cents)	92.90	97.54	▼ -4.64	95.92	▼ -3.02

Sources: www.rba.gov.au, au.finance.yahoo.com, www.opec.com; Note: Some figures have been rounded

the impact of official interest rate changes. This could be a valuable lever in easing economic conditions in softer times.

campaign about the wholesale cost of funds, and the increasing reliance away from internally generated deposits.

INTEREST RATES - NEWS & VIEWS

The Reserve Bank of Australia ("RBA") kept the Official Cash Rate at 7.25% following their August 2008 board meeting.

What an amazing time in the business and finance world both locally and in international markets, with a strong level of negative consumer and business sentiment, judging by the content in the major business journals.

The market seems to be operating at several tiers, with industries lacking exposure to the resources and energy sectors under considerable pressure.

The impact of sub-prime combined with a softening economy may have a substantial impact in the medium term. Anecdotally, we are seeing key indications of weaker conditions in the small business market with tighter cashflow conditions and a blowout in receivables collections.

The weakening conditions are also supported by retail sales growth at ten year lows and credit growth approaching the same level.

Where to with Interest Rates?

At least in Australia, unlike the US and parts of Asia, Australia has some room to move with monetary policy as they have been patient with assessing

If the local economy fails to recover quickly, and inflation remains stagnant for a reasonable period of time, the next movement in rates will be down.

The markets certainly think so, with the biggest fall in all short term market rates in some time over the last week.

Market Cash Rates are an indicator that we would like to reintroduce to you to monitor market sentiment around interest rates going forward. We will monitor the 90 Day Bank Bill Rate in coming MCP News issues.

This will be especially relevant in the coming months with the prominence of the banking industry awareness

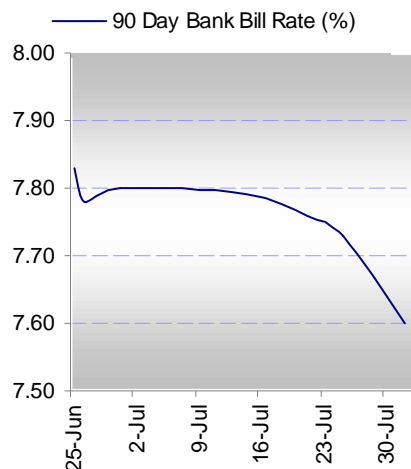
As a result, it will be fascinating to see how banks respond to falling bill rates, especially if these are accelerated by a fall in the official cash rate. So keep a watch on the 90 Day Bill trend line below.

The fall in short term rates has also been supported by a requisite fall in longer term rates - in fact over 40 basis points in some secondary markets.

In essence, for people and businesses assessing their interest rate strategies now, in our view, it is not a time to lock into fixed rates.

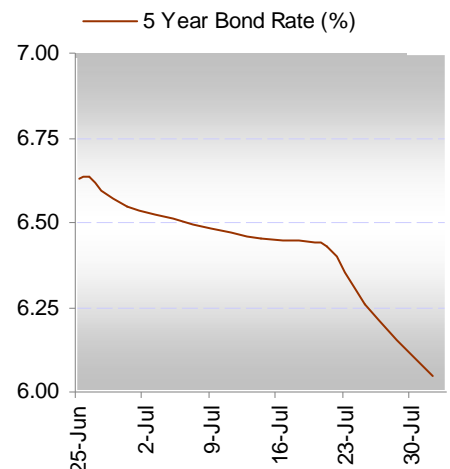
The coming weeks and months should tell an interesting story.

90 Day Bank Bill Trend



90 Day Rates
Downward trends in anticipation of softer economic conditions.

5 Year Bond Trend



5 Year Rates
The trends are more aggressive in the longer term rates.

PROPERTY

The softening economic conditions have fed their way into all areas of the property market.

The severe correction in the US in the broader property market has sparked fears in some that we will see the same conditions in Australia.

The issue with property price measurement is the inconsistency and timeliness of data. This is of course not assisted by the relative illiquidity of property as an asset class, as opposed to listed equities which are traded on a daily basis.

The consensus from the different real estate monitors does confirm a fall in property prices in the last quarter, with many experts predicting a national fall of around 10% in the coming year.

We have certainly noticed falling valuations results on both residential and commercial property for our clients.

In terms of a major correction, there are some offsetting factors including tenancy demand and population growth. But perhaps in Australia, a support for valuations is the resilient nature of owner occupiers and the recourse lending structure for Australian mortgages.

So, with property statistics quite diverse, perhaps a better ongoing measure of what is happening is stock levels and clearance rates.

The Benefits of Recourse

Mortgage Recourse is a strong foundation that supports the Australian market.

Recourse means that there is personal liability of a borrower (mortgagor) to meet any shortfall from the resultant sale of a property.

Most lending arrangements, in contrast, in the US are non-recourse, with the liability limited to the asset itself. This partially explains the rapid growth, nearing 20 Million, of unoccupied houses in the US.

Combined with this, Australians are renowned as a very resilient market against mortgage stress, so this may help cushion any hard landing.



There is a long lead time in property transactions, meaning resultant data and market trends can be difficult to gauge on a timely basis.

The relevance of Mortgage Stress?

"Mortgage Stress" is a relevant discussion in property markets, and there has been significant analysis of this by demographic of late. It is worthwhile to also keep an eye on employment changes, as it has an impact obviously on abilities of households to service debt obligations.

Through our anecdotal experience, a more critical factor is loan to value ratios ("LVR's"). Where LVR's are low, distress borrowers still have a "second way out" in terms of being able to access equity in their property to sustain their commitments.

For many people, especially in less established suburbs, LVR's are very high and therefore there is greater risk when combined with stress on servicing debt commitments out of household cashflow.

ESTATE PLANNING



A strong response to our recent news in relation to Estate Planning, and we are currently updating or creating a number of Wills, Testamentary Trusts

and Powers of Attorney for our clients.

Just to clarify a common question, Assets held in trusts do not form part of your estate and are not dealt with by your Will.

Please contact Shane Frost with any queries.

ACCOUNTING PARTNERS NEWS

MCP GROUP
ACCOUNTING PARTNERS

A reminder to Accounting Partners:

- MCP's Lizzie Douglas (CA) and team have conducted a number of information sessions on topics ranging from the sub-prime crisis to estate planning. If your practice is interested in receiving free training for your team on any finance or legal issues please contact Lizzie directly on e.douglas@mcpgroup.com.au.
- We are currently updating our "Toolkit" with some legal capability. In the interim, the current Toolkit can be downloaded from our website. Thank you to those who have provided positive feedback to date.

MCP NEWS

MCP is proud to welcome the clients of Andrew Balfe, through our recent purchase of his mortgage broking business in Bayside Melbourne.

We look forward to working with you.

We also say goodbye to our own Bill Humphries, who is taking some well deserved time off, perhaps cycling his way around the country!

Thank you Bill for your contribution over the last five years.

QUOTE OF THE MONTH

"It's wonderful what we can do if we are always doing."

George Washington