



# GTC FINANCIAL SERVICES

Total Financial Care



## Economic Update March 2016

Welcome to our monthly economic update. You will find all the latest news on the market in this Newsletter.

### Economic Update - March 2016



#### The Big Picture

Last month we tried to leave you with the view that the stock market machinations were not really connected to any particular market view of economic fundamentals. A month later and markets moved even lower before they started to recover towards the end of February.

Iron ore prices rose to over \$51 / tonne from \$38 in December. Oil prices are well above the lows of January/February. And while no one is suggesting commodity markets are heading higher and higher, the panic attack at the start of the year seems to be well behind us.

But then we got a new spruiker in town during

February predicting a 50% fall in property prices in Australia! We won't name them because you have probably never heard of them and almost certainly won't again. Every few years we get such attention seekers. Presumably they are selling (or short selling?) something. We think they have no credibility in the profession.

But just for fun let's assume prices fell by 50% as 'predicted'. That would take prices back to GFC levels when a different spruiker was then predicting a 40% fall. And so it goes on.

Prices only fall significantly when people are forced to sell at a loss. Australians by and large have jobs and seem unlikely to lose them. Many have big offset accounts for their mortgages and others are simply well ahead on payments. Of course individual properties or pockets of properties may lose value for a variety of reasons – but not the average.

What is fascinating at home is the recent mooted change to Senate election process. You may recall we argued after the last election something had to change in this regard to provide for a stable government with a strong economy. Well it looks like voters will now have to state whom their preferences are to be distributed rather than the old under-the-table deals by the parties that produced the motley crew of senators we got last time.

Turnbull seems to have swept everything off the table that was recently on it – including a possible hike in the GST. A good conspiracy theory we could start is that the likely double dissolution on July 2nd was always the main game.

The government may have 'sucked in' the opposition to announce alarmist policies on negative gearing and tax increases – to give the government greater ammunition to sweep into power in both houses. And then new tax policies could be launched in the next term. Makes far more sense than a 50% fall in house prices!

Our economy is still doing quite well but with a functioning government (of either party) devoid of irritations from senators most didn't know they were voting for 2017 and beyond, which could be really, really good.

But wait. There's more! The US elections are heating up. It looks like Trump versus Clinton in the November presidential elections. Clinton frightens Wall Street because of her views on healthcare and Trump has stated he will tax Wall Street! One report that doesn't seem to have attracted enough attention is that Michael Bloomberg – the former New York mayor – said he would run for president if "circumstances warranted it".

If Trump gets the Republican nomination, might Bloomberg run and win? That sounds like a preferable scenario for markets, the US and us.

And in the rest of the world? The G-20 meetings in Shanghai last weekend didn't produce a statement of any substance – but they did decide not to organise a co-ordinated global stimulus package. That's good news. We just don't need such a package!

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