



# GTC FINANCIAL SERVICES

Total Financial Care



## May 2016 Economic Update

Within this month's update, we share with you a snapshot of economic occurrences nationally and from around the globe. We hope you find this month's economic update as informative as always.

### Economic Update - May 2016



**April witnessed further strong gains on share markets. These gains were helped by commodity prices rallying hard. Iron ore prices rose around +20% in April making the gain from December's \$38 to April's \$70 peak impressive indeed. Brent Oil gained about +24% in April!**

So why did these commodity prices gain so much? Well, China restocked its steel inventories causing a 50% plus gain in China steel prices this year. Some of this restocking was due to more stimulus spending by the Chinese government but some was just a natural part of the cycle.

Saudi Arabia seemingly failed in the

Doha talks to get an OPEC/Russia deal to stabilise prices. But Saudi Arabia then went on to make a massive policy statement on Anzac Day to create a new economy that is far less dependent on oil revenue. This latter action has seemingly supported oil prices.

At home there was some slightly worrying economic news. Inflation for the March quarter came in at 0.2% when +0.2% was expected. The annual figure was +1.3% against the expected +1.7%. Since the Reserve Bank's (RBA) target range is +2% to +3% 'over the cycle' we are not yet in trouble but an interest rate cut is now far more likely.

The Labour Force survey showed that the unemployment rate fell to 5.7% but the underlying trend data did not improve. Indeed, the trend employment data disappointed for the first time in more than a year. Full-time employment is now growing at 0%! A second reason for a cut! Indeed, the market is now factoring in an imminent cut at home despite the political implications.

China data came in strongly over the month. Exports were up +18.7% over the year; GDP came in at +6.7% and both Retail Sales and Industrial Output beat expectations. The China manufacturing Purchasing Managers' Index (PMI) just came in above the all-important 50 at 50.1.

There is so much news set to drop over this and the coming week or two that we will be a lot wiser in a couple of weeks. Our Budget and its associated forecasts have revealed a number of changes in addition to the RBA which reduced rates by 25 basis points to 1.75%. The all-important US jobs data are due on Friday May 6th.

And we should not underestimate the possible ramifications of a June 23rd 'Brexit' referendum to decide Britain's future role in Europe. And throw in an election for us on July 2nd.

Should you have any queries in relation to this newsletter, please feel free to contact our office or your adviser.

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