



Economic & Market Update

Presented by:

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Chief Investment Officer

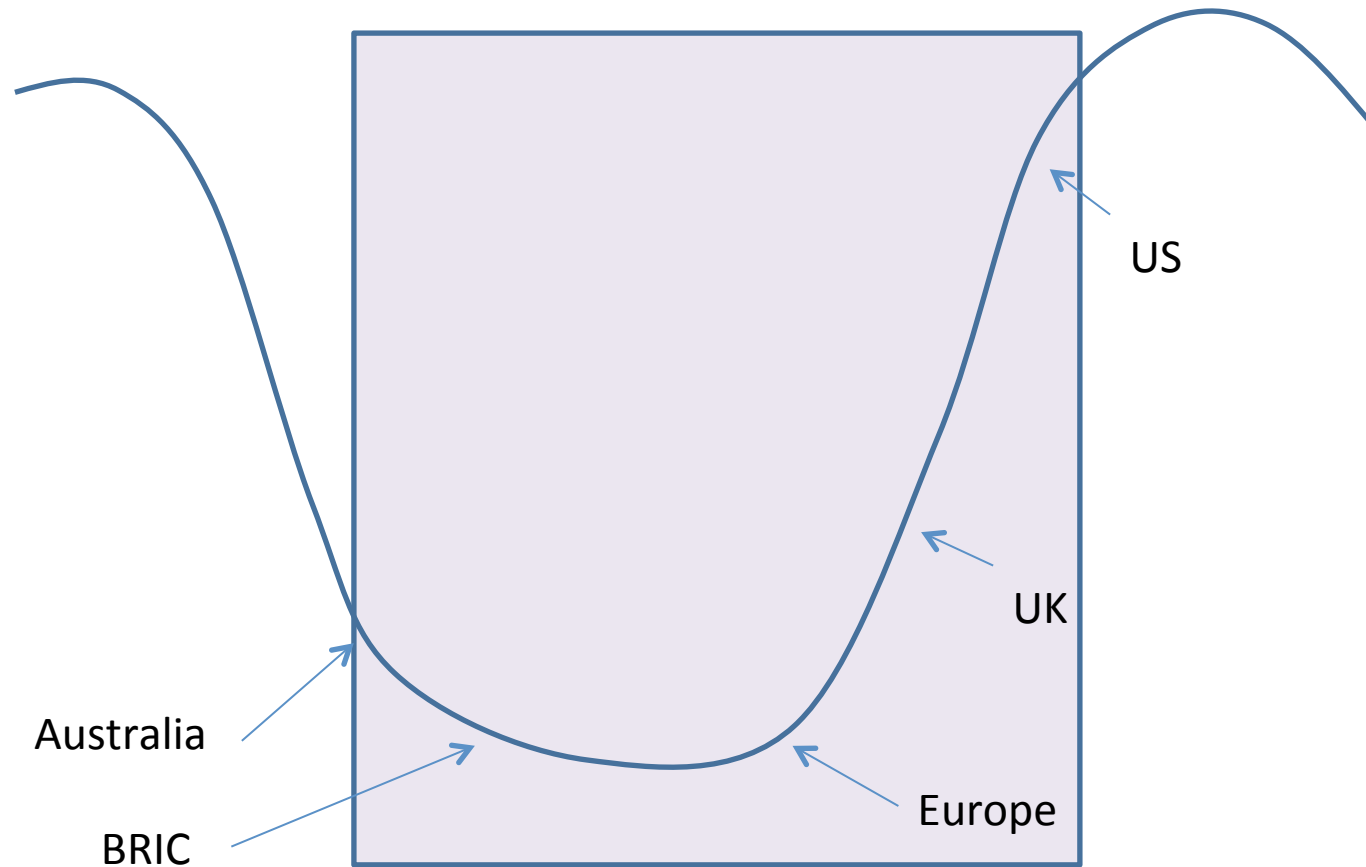
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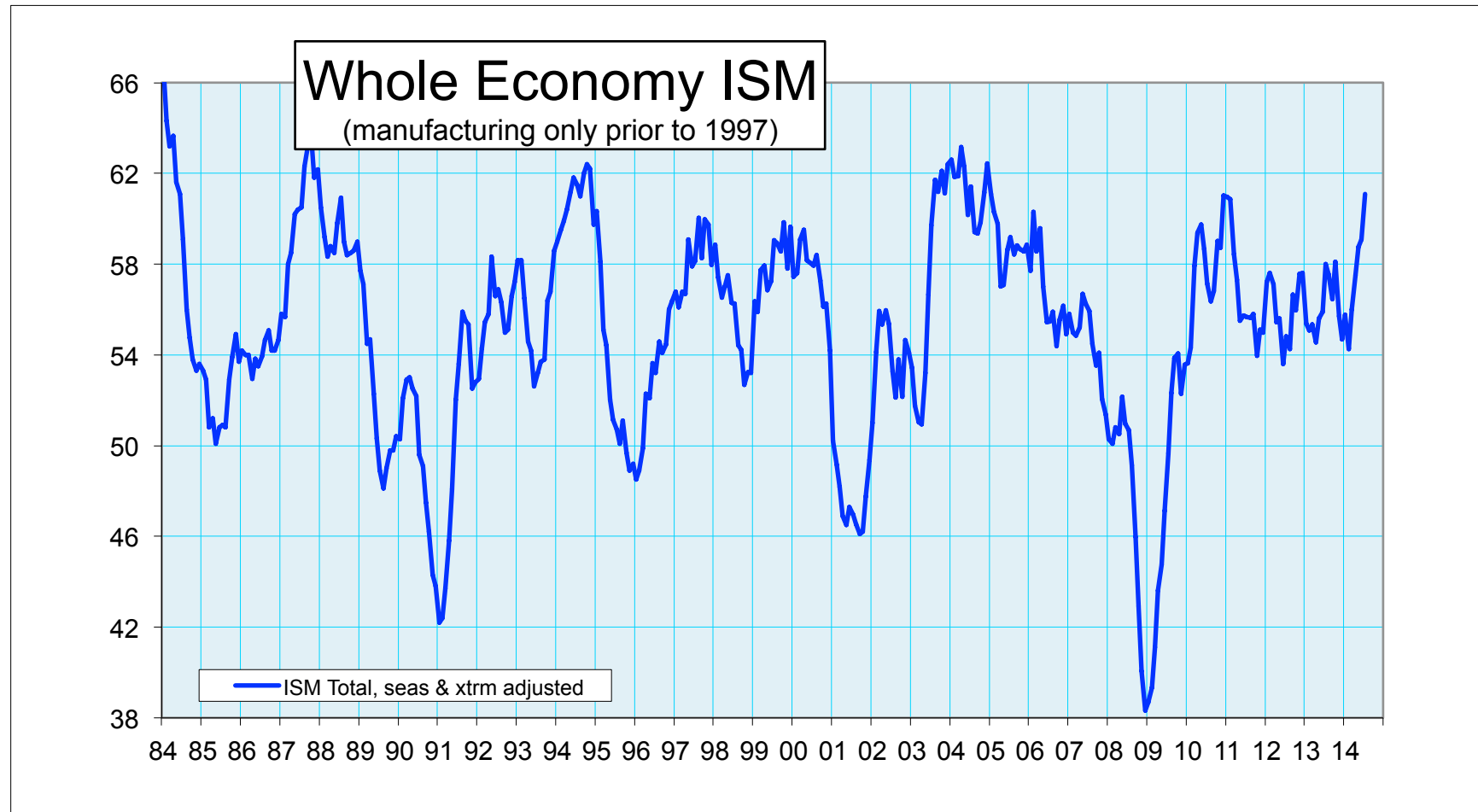
Where are we?



Line = eco cycle

Shaded area = period of share bull market

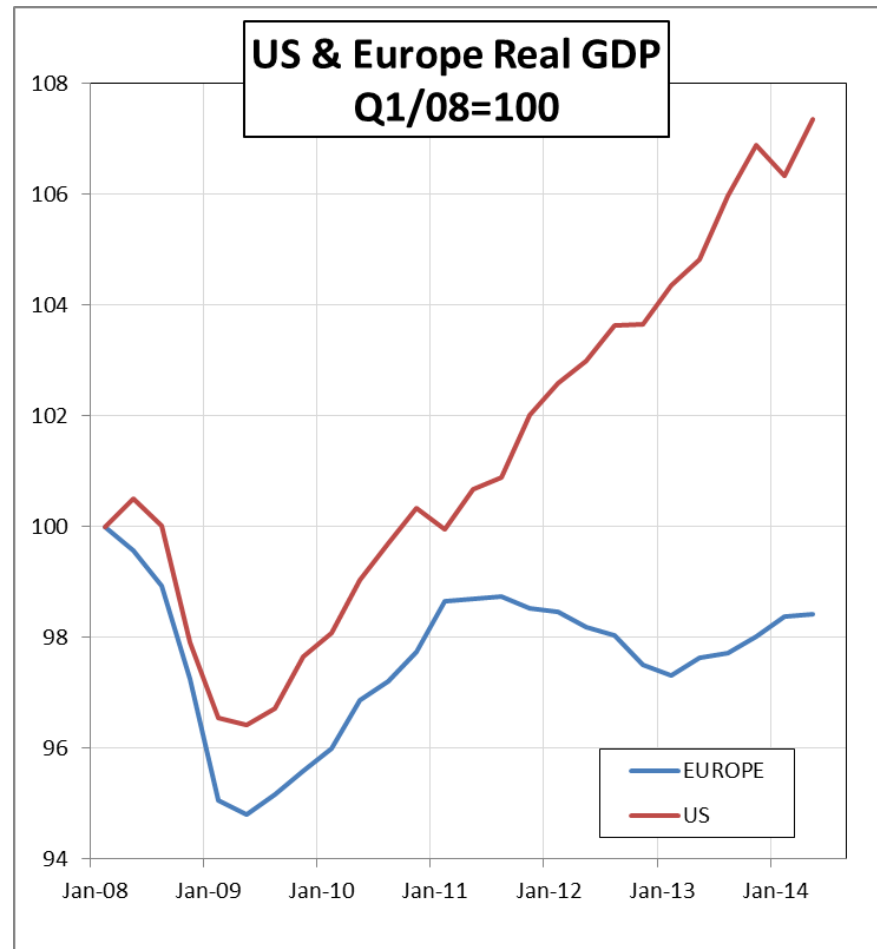
US accelerating



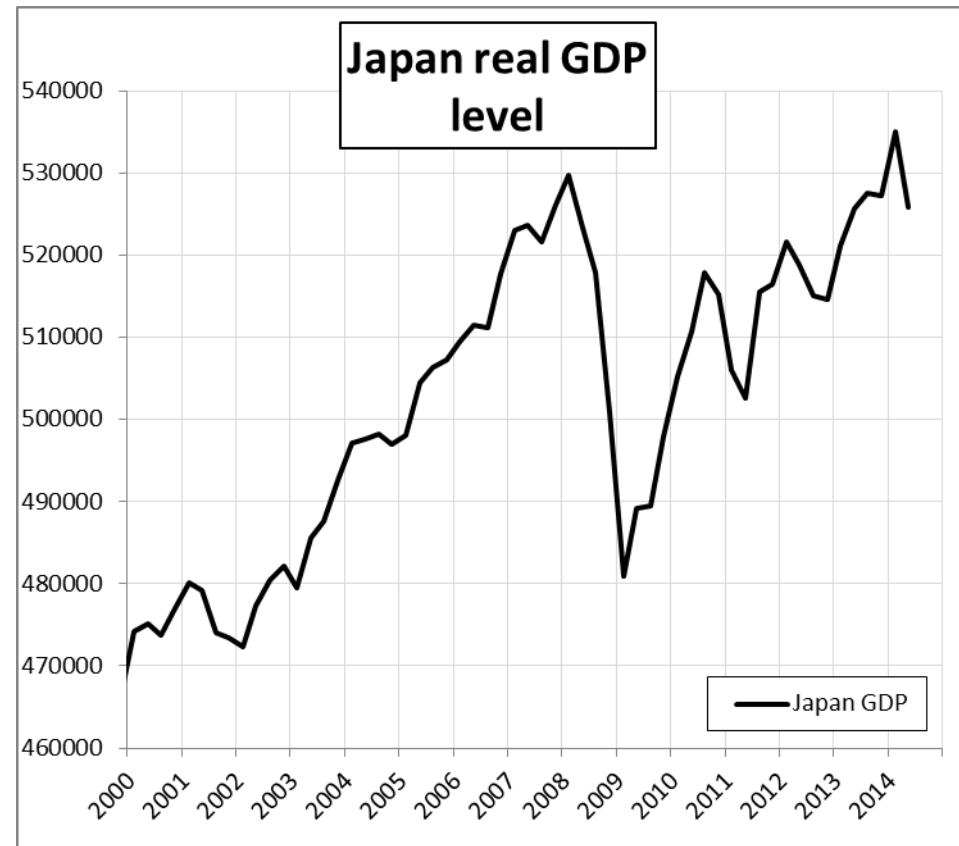
Europe turning down



Dismal Europe



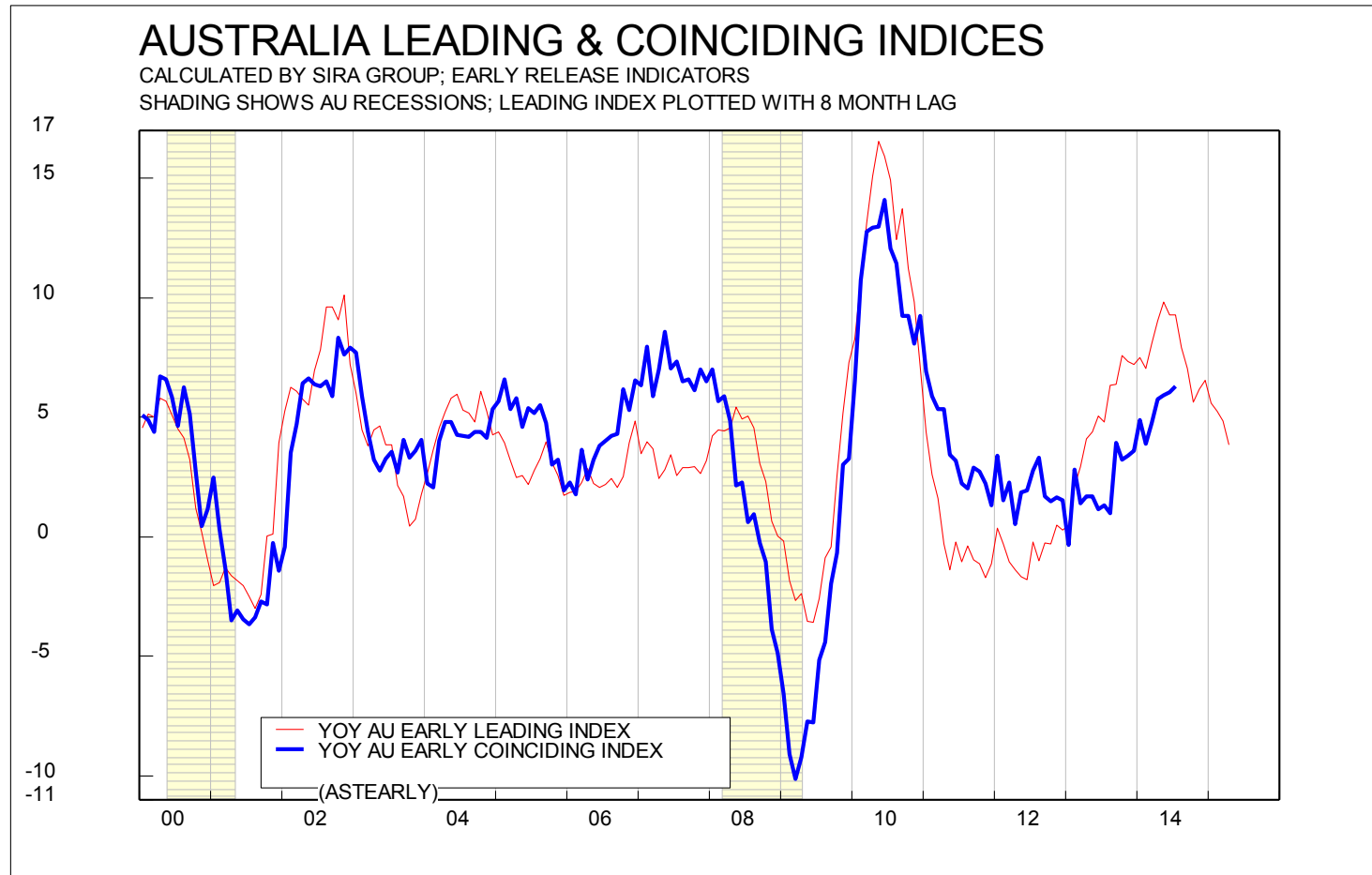
Japanese recovery slow



Chinese growth normalising

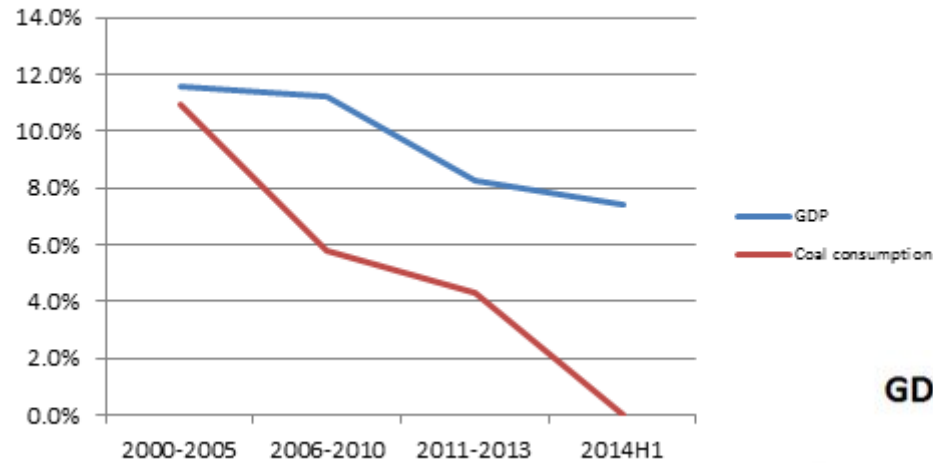


Australia

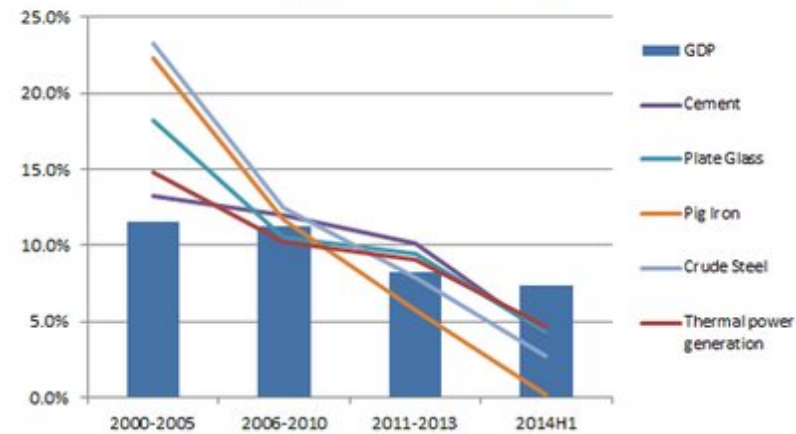


Coal in strife

GDP and coal use growth in China



GDP, basic industry and thermal power generation growth

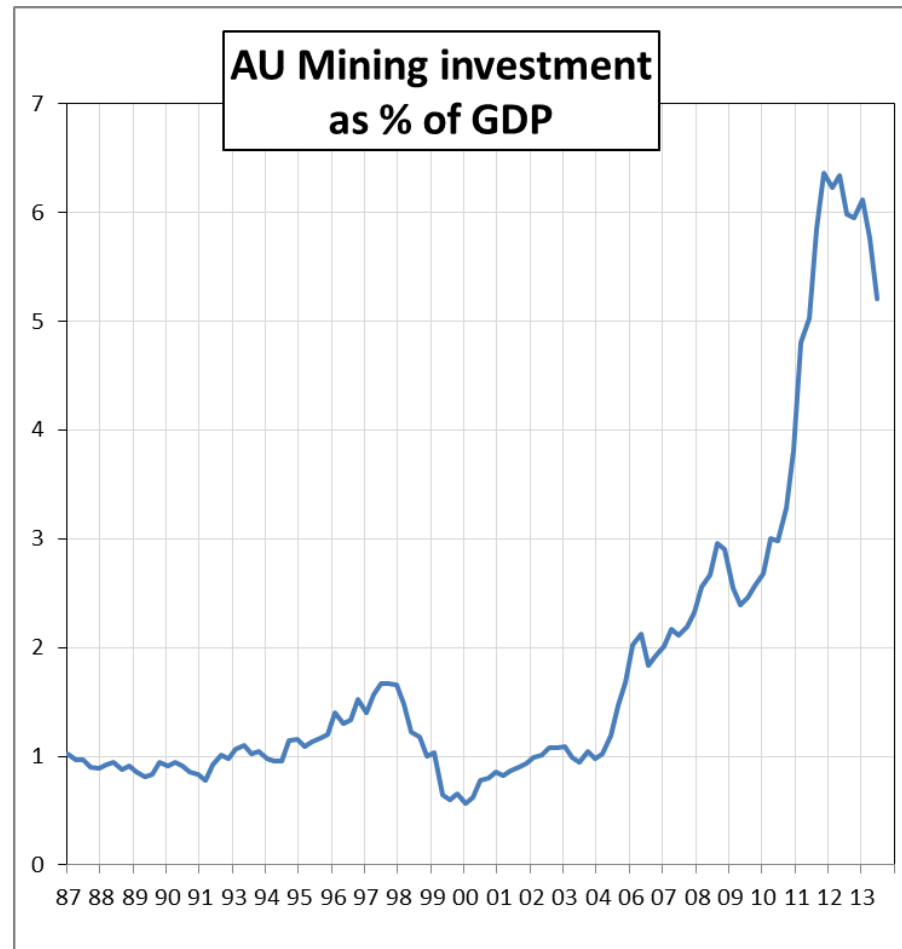


Source: <http://reneweconomy.com.au/2014/chinese-coal-consumption-just-fell-for-first-time-this-century-49062>

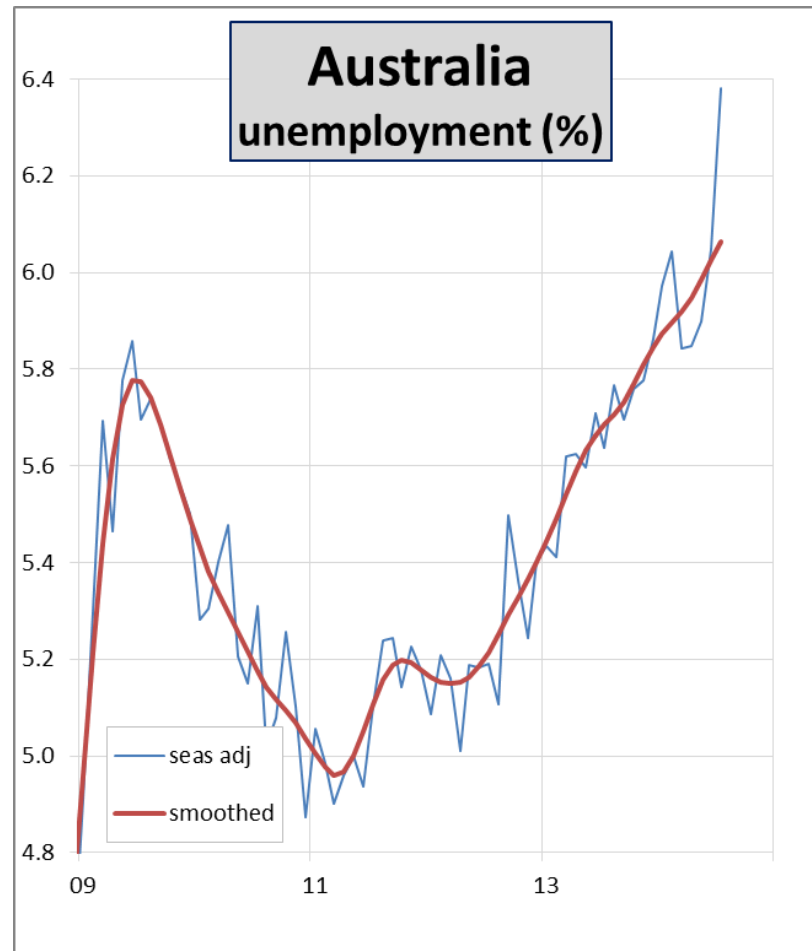
Coal price halved



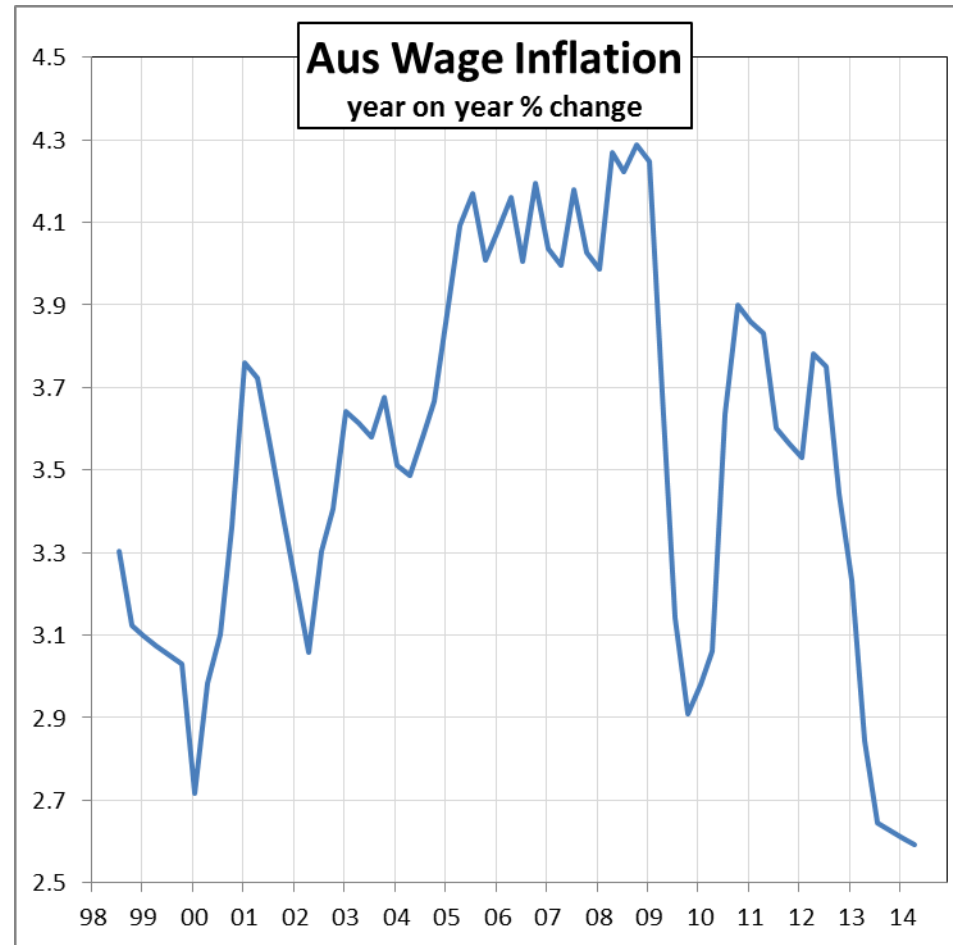
Mining investment slumps



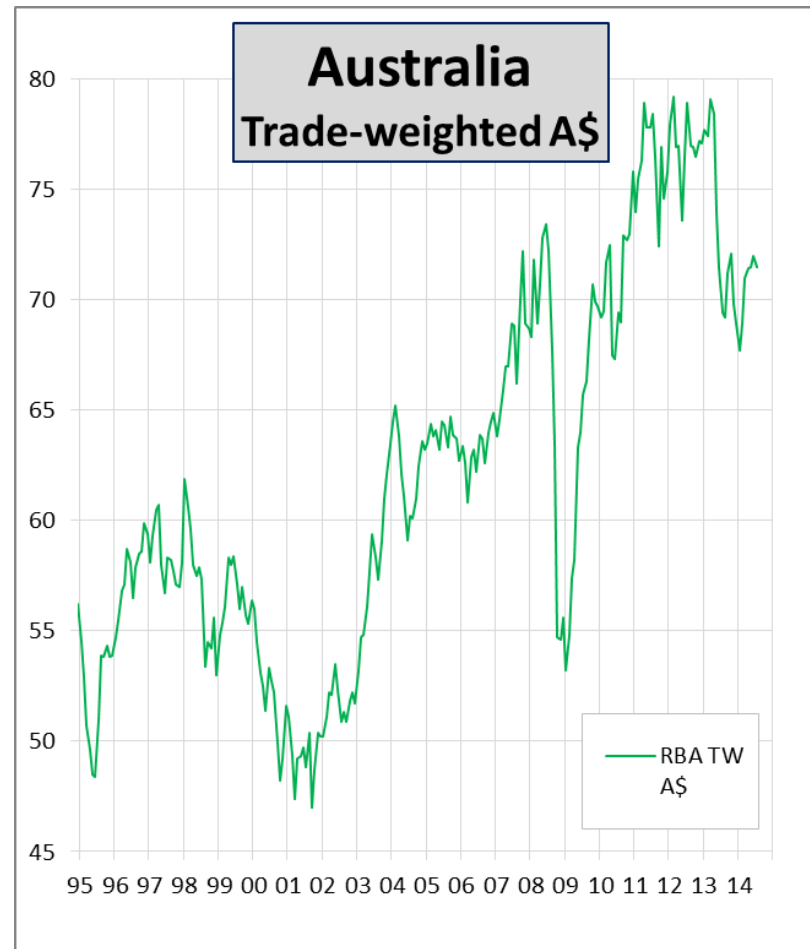
Unemployment zooming



Wage increases low



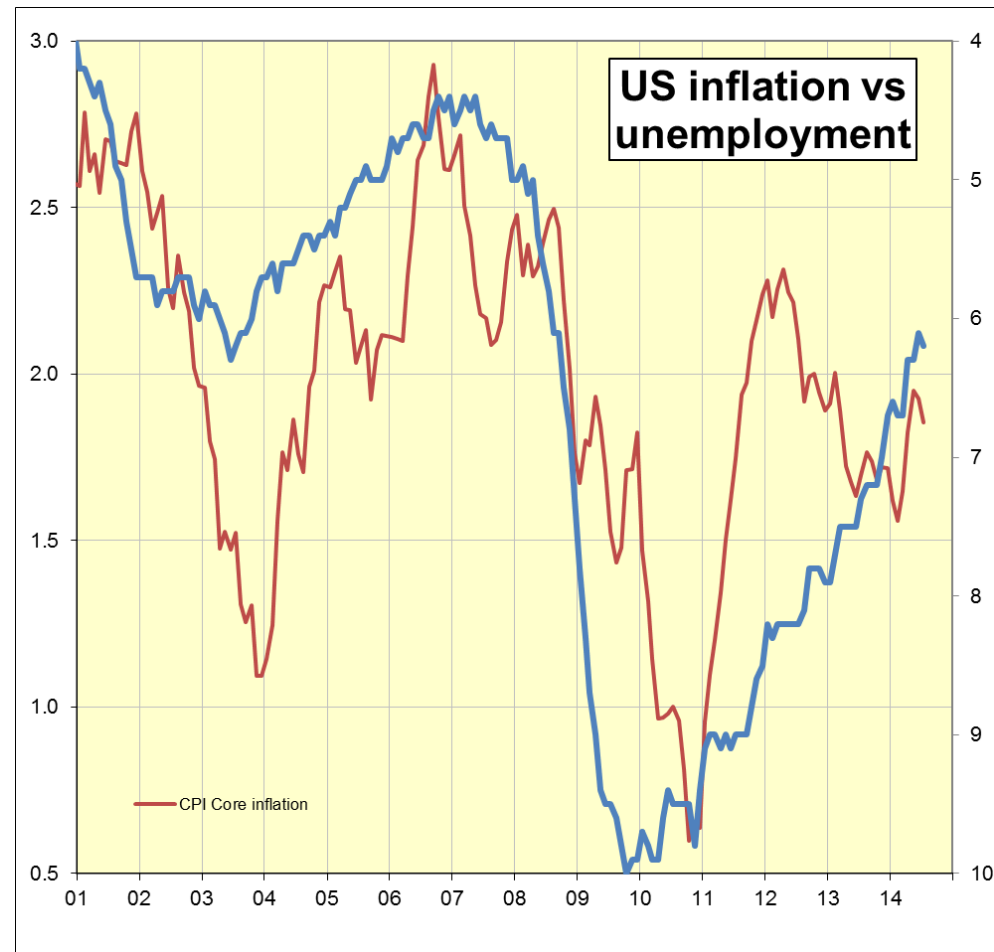
A\$ still too strong



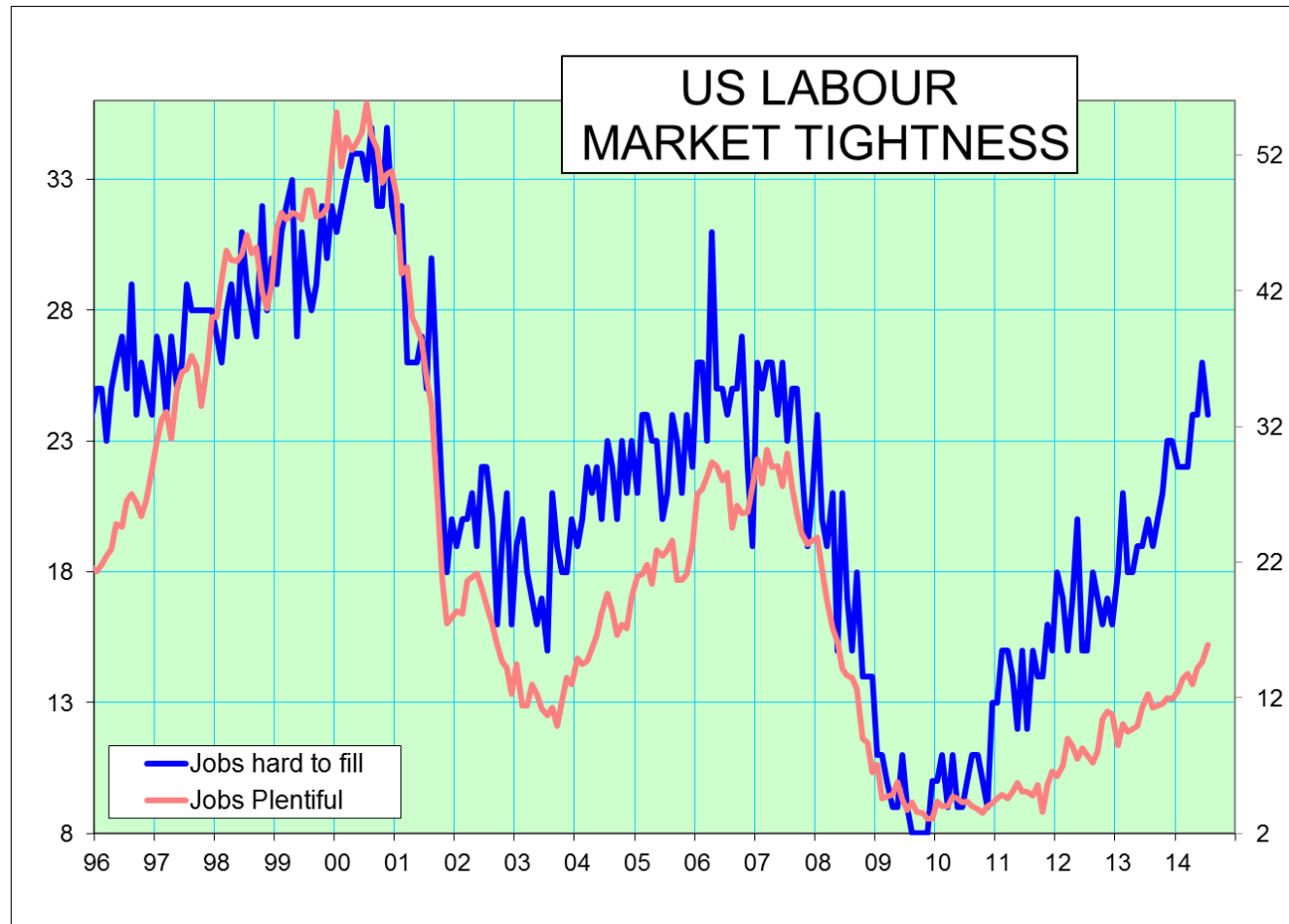
Wheel of fortune

Economy	Inflation	Interest Rates	Earnings	Stock Market
Bottom of cycle	Falling	Falling	Plummeting	+++
Recovery	Stable/falling	Stable	Rapid growth	++
Trend growth	Stable	Stable	Growing	++
Boom	Rising	Starting to rise	Growing	+/-
Peak	Rising	Rising	Peaking	---
Recession	Peaking	Falling	Falling	+/--

US inflation soon?



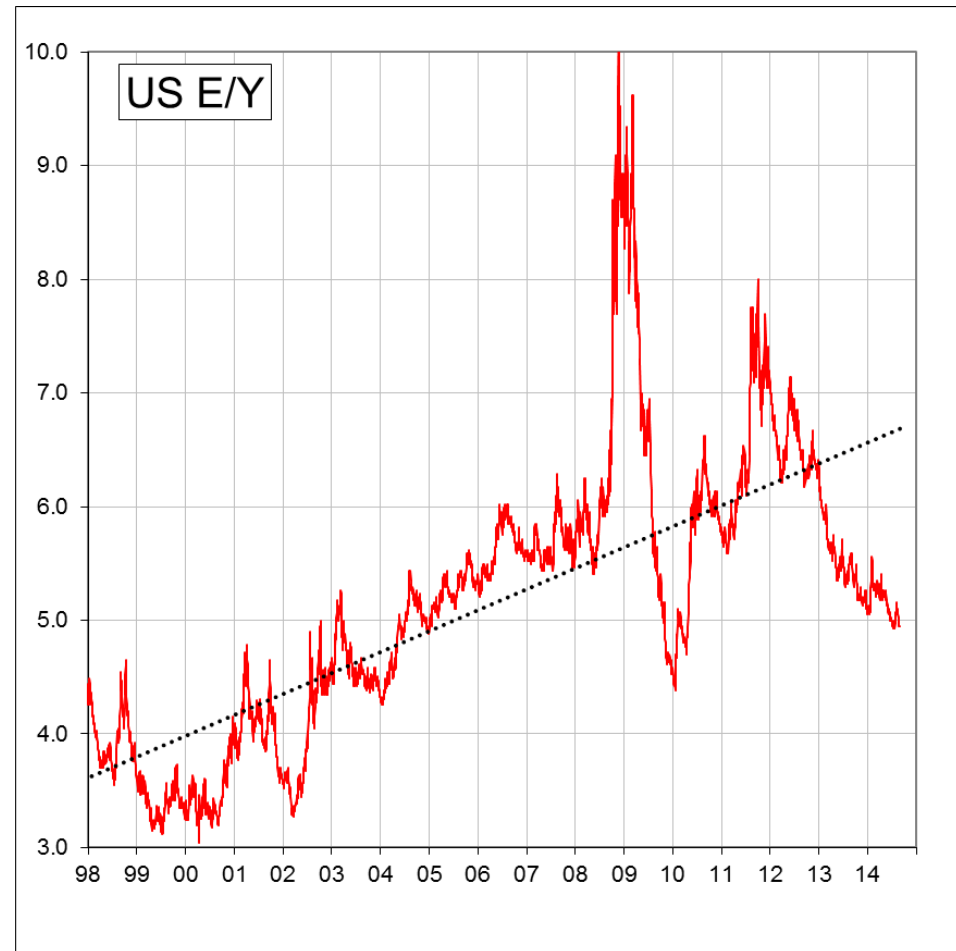
US Labour Mkt tightening



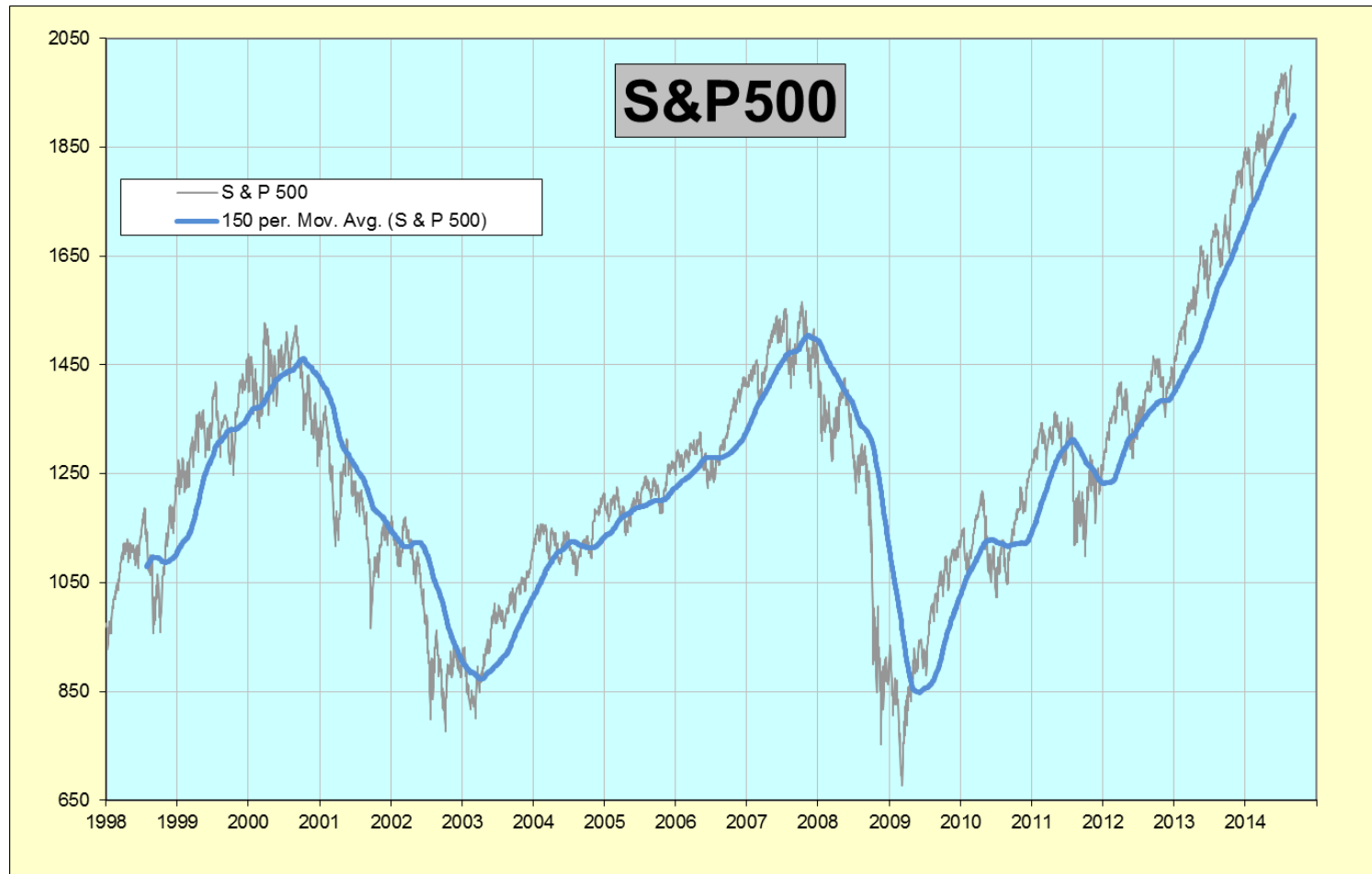
US Equity Peak?

- Eco cycle not yet overheated, but ..
- QE3 to end in October
- Normalisation of cash rates next year (2nd half?)
- Earnings growth strong (10% +), but ...
- Margins at cyclical high, and wage costs likely to rise
- US\$ to start rising
- Valuation headwinds?

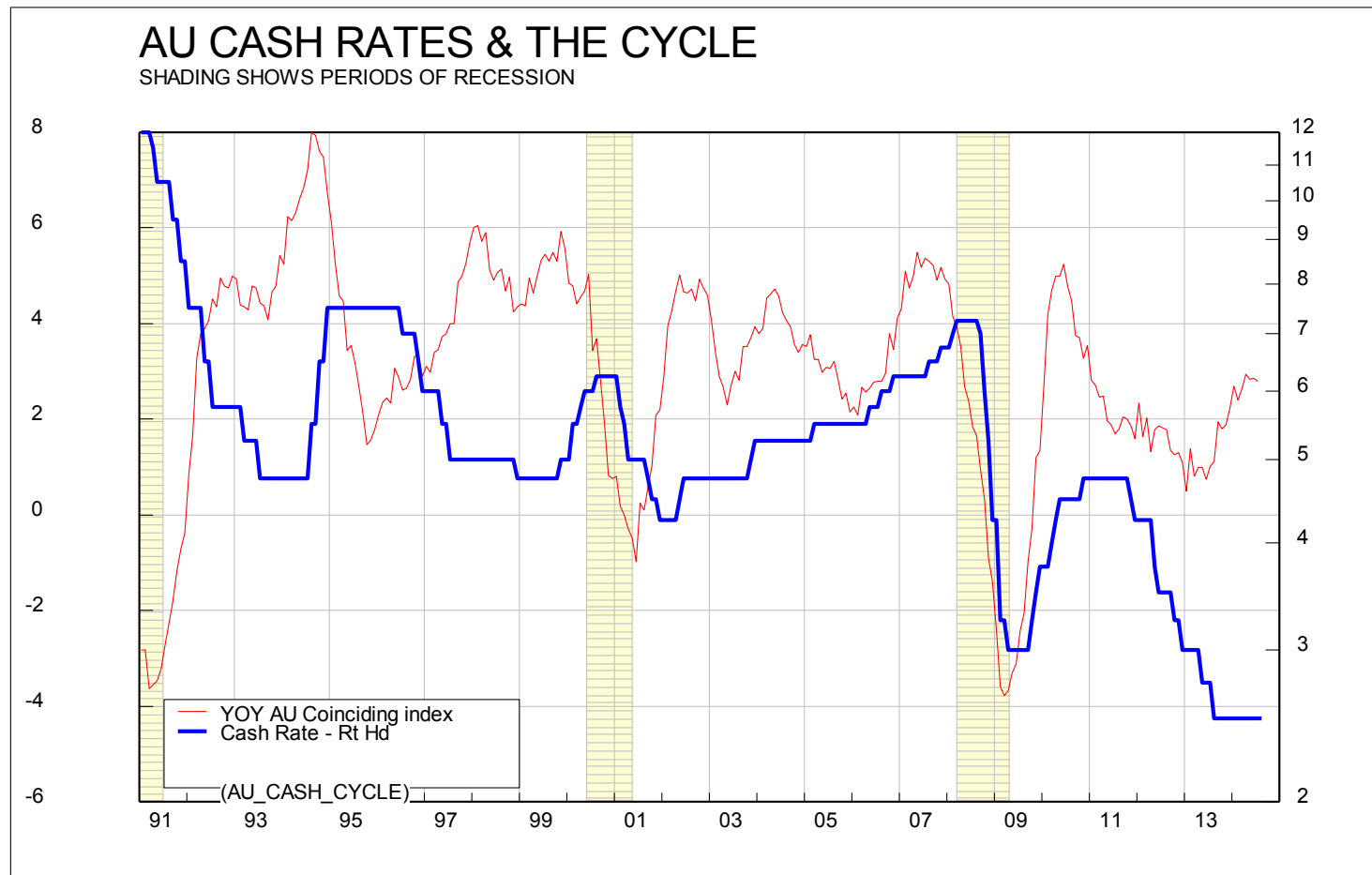
Valuation headwinds?



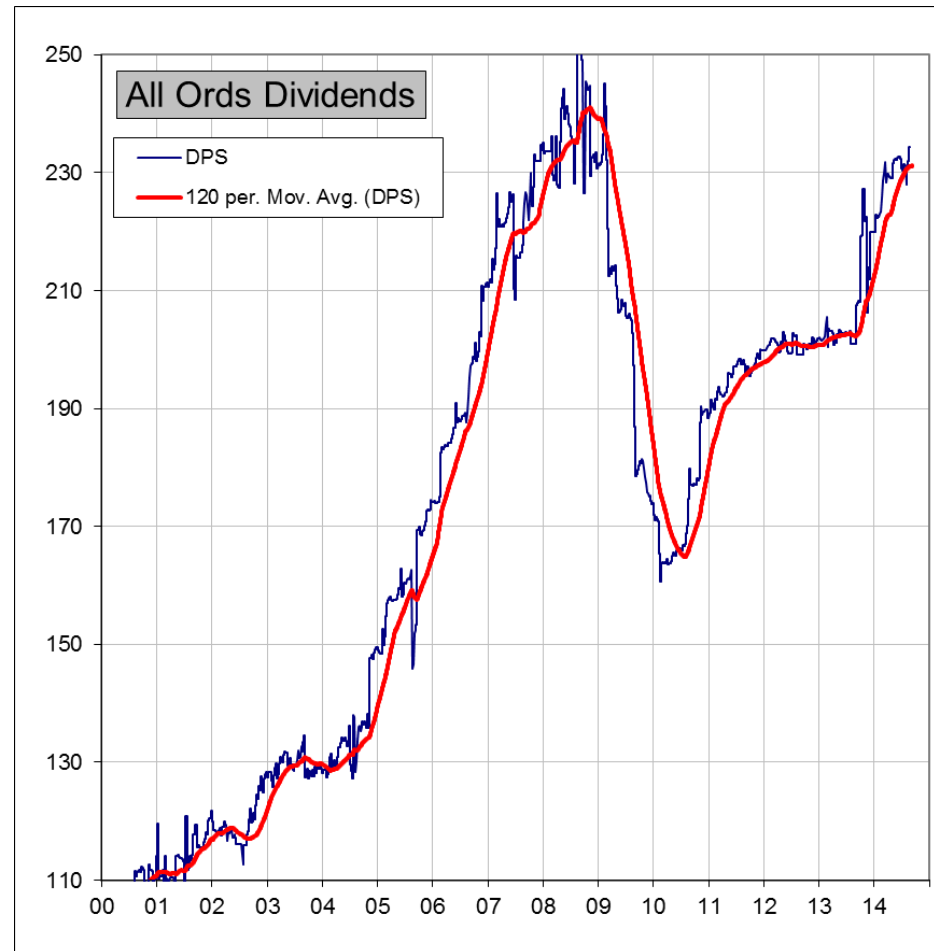
Massive bull run



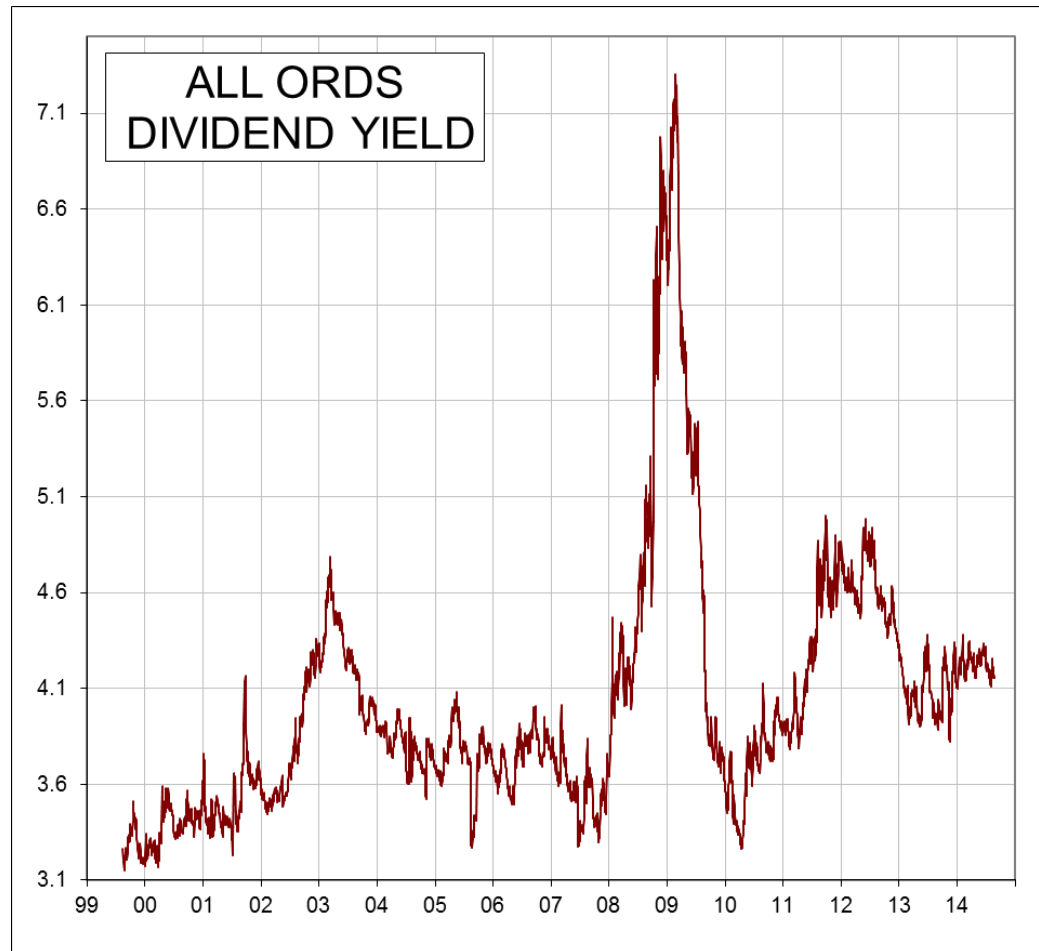
Int rates on hold?



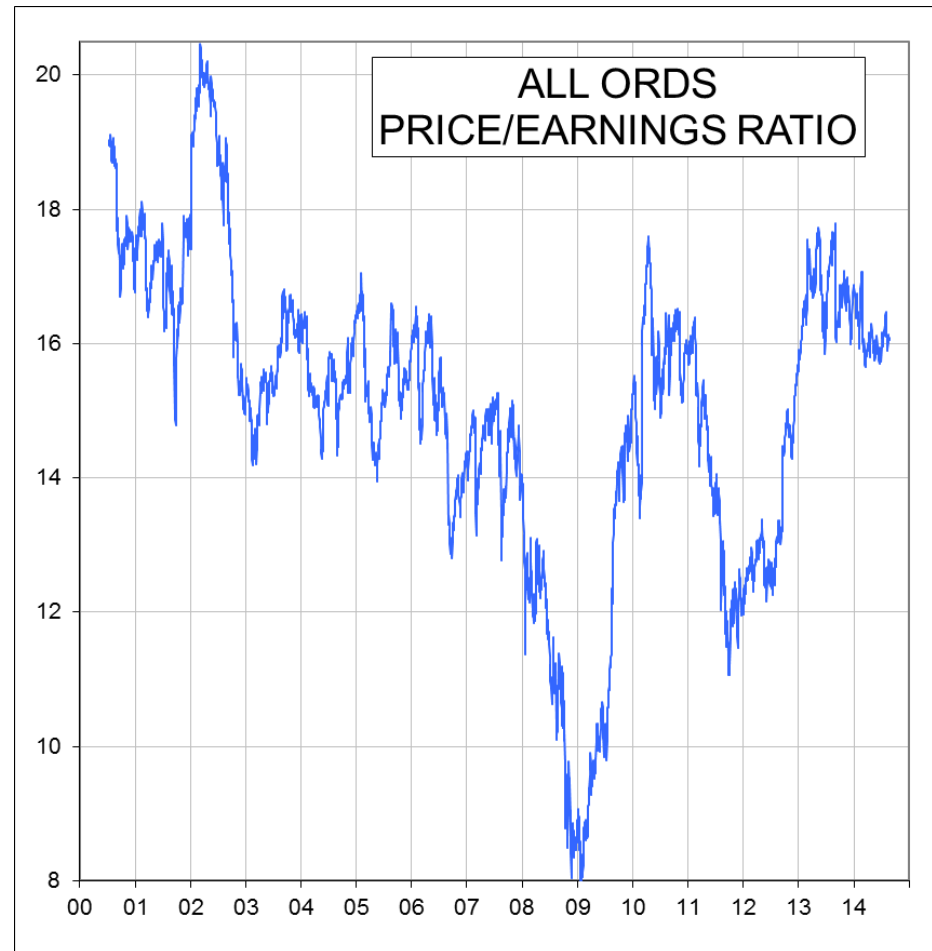
ALL ORDS DPS



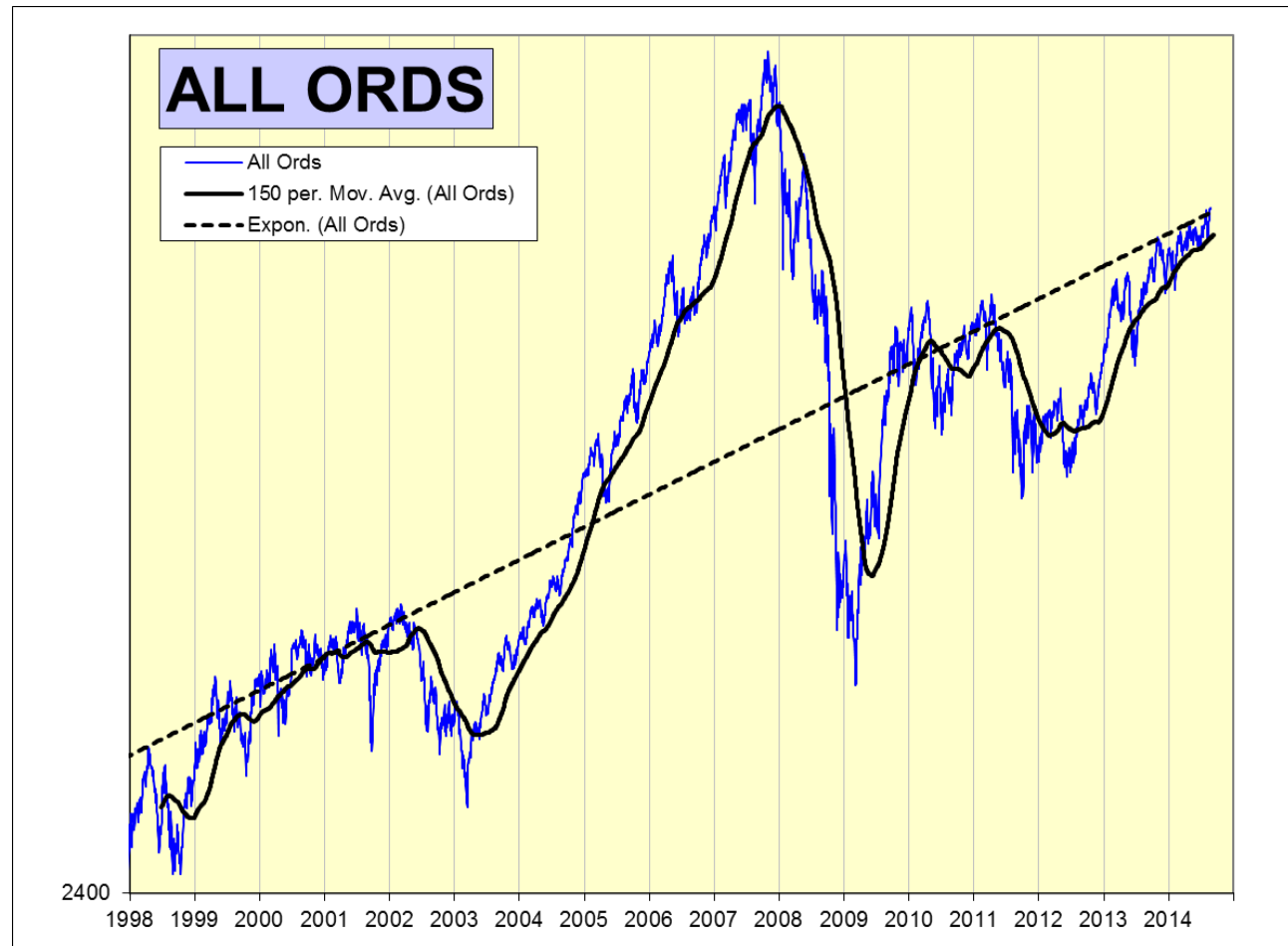
D/Y high



PE's not excessive



All Ords still has upside



Eco Summary

- US close to boom conditions
- Europe very weak
- BRIC close to lows
- Australia weak
 - Budget fall out, confidence
 - A\$
 - Coal, end of mining boom

Markets

- US share mkt not yet at peak
- Europe, OK in Euros
- EM/BRIC further to go, but high beta!!!
- All Ords EPS & DPS to go on rising slowly.
- Market cheapish
 - but economy sluggish
- International (in A\$) will outperform