



New York Securities Pty Ltd

Monthly Newsletter – January 2013

The Christmas Turkey

The Christmas Turkey was being prepared, liberally greased up ready for cooking for all of us to enjoy, but as the economy continued to travel through hell sadly the turkey has been burnt beyond recognition. The only thing that resembles a turkey now is the man who was looking after it, Wayne Swan. Just as we had predicted, Wayne Swan officially dumped the notion of achieving a budget surplus.

He quoted figures that reverted to years of historical data which led to his admission the budget surplus would not be achieved, this came just two weeks after he reaffirmed the surplus would be achieved. It begs the question “if they are privy to such a plethora of information and for so long, how could they not foresee what the rest of us could plainly see prior to the ridiculous notion being declared in the first place?” Well that’s because we are talking about a government who always spends too much and ignored the hard data seemingly to enable them to use the budget as a political tool, a strategy that was never going to provide a long term payoff. It has now cost the government its economic credibility.

The budget at the end of October was running at a deficit of \$12.3 billion, this is from a Government that promised a \$1.1 billion surplus for 2012/2013. We are not agitated because the government is unable to turn a budget surplus; it’s the “smoke and mirrors” that this government continues to parade time after time, insulting the peoples intelligence. There are times when Governments need to run a deficit and given the global challenges, it is best suited to do so right now. Mismanagement now will make us all pay in the longer term; the government should be utilizing the low rate environment to strengthen the underperforming

sectors of the economy, compliment not compete; balance the economy and not the budget.

Emotional Trading

The stock market in 2012 has seen periods of subdued volatility and continued irrational behaviour and if emotion sets in it can be a trader’s and investor’s nightmare. For a trader the problem with subdued volatility is after a prolonged period emotional boredom begins to set in resulting in the “boredom trap”, an

Extracting Cash from your Blue Chip Shares

We recently emailed you an educational document on how to achieve additional yield from your Blue Chip Shares. If you would like further information on this strategy or would like to discuss on how to implement it, **please give us a call.**

emotion a trader begins to feel that something needs to happen, so you start looking in areas you normally wouldn’t look and go thin on the due diligence that is normally applied. It’s the same with the irrational behaviour of share prices, it sets off anxiety for traders and investors, making you think that despite your due diligence you have completely missed something that is pushing a share price down, so you follow the herd and sell down at the worst possible time.

When emotion sets in this is when you’re most likely to make mistakes and with mistakes comes an increasing probability that you will make losses. So do yourself a favour and make it a part of your New Year’s Resolution to avoid emotional trading at all cost, as it could end up costing you.

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The Fiscal Biff continued

The Fiscal Cliff tentatively looks to have been averted. The bill passed the Senate with a 89-8 vote and places pressure on the House of Representatives to vote the bill in tonight to avert the across the board tax increases and massive automatic spending cuts that would push the US into recession. The bill is weighted towards revenue generation through taxes, rather than heavy spending cuts the republicans were seeking. Amongst other items, the bill included the tax rate of american households earning over US\$450,000 to increase from 35% to 39.5% , double the threshold Obama was campaigning for.

One of the reasons the bill will be passed tonight is the debt ceiling. The republicans will be able to use the debt ceiling debate to strengthen their call for heavier spending cuts to reduce the deficit. Overshadowed by the Fiscal Cliff talks, the US reached their borrowing limit of \$16.4 trillion on Monday, forcing US Treasury Secretary Timothy Geithner to employ "extraordinary measures" to avoid defaulting on its financial obligations. The measure gives congress an estimated two months (February) before they must raise the debt ceiling again. We expect the ceiling to be lifted again as a failure to raise the ceiling as explained previously would be nothing short of catastrophic. Leading up to the vote we doubt we will see the risk of a default occurring being priced heavily into the markets, instead we will be far more interested in the commentary surrounding how the deficit will be addressed moving forward, this will have a greater influence on the behaviour of market participants.

The economic data coming from the US leading up to the Fiscal Cliff talks is reflecting the signs of an improving economy. The performance of the jobs market is encouraging, the housing market has seen improvements accross states, GDP figures have been uptrending albeit at a slow pace and the manufacturing sector is showing signs of improvement, beating analysts expectations leading into the New Year. To add to the possibility of a good start to 2013, Chinas president Hu Jintao in a New Years address announced "China will look towards bolstering world economic growth in 2013", this coming days after the gauge of China's manufacturing showed a third month of expansion which leads to evidence the rebound will continue into the New Year whilst the transition within Government continues.....

...and it seems even North Korea could start the year with some cheer as Kim Jon-Un broke with tradition and declared to improve ties with South Korea, boost economic growth and ultimately improve the standard of living for all North Koreans. He then concluded his New

Years Address with fireworks, much to the delight of the people. However considering he likened boosting growth to the recent successful ballastic missile launch hes likely to be setting himself up for further testing of modern weapons.....perhaps it truly will be the "Year of the Snake".

Performance of Key Indices

<u>Equities</u>	<u>Close</u>	<u>Change (M)</u>	<u>Change %(M)</u>
All Ordinaries	4664.59	+146.59	+3.24%
S&P/ASX200	4648.95	+142.95	+3.17%
Dow Jones (US)	13104.14	+78.56	+0.60%
NASDAQ	3019.51	+9.27	+0.31%
S&P500	1426.19	+10.01	+0.71%
FTSE 100 Index	5897.81	+30.99	+0.53%
Nikkei 225 (Japan)	10395.18	+949.17	+10.05%
10-year bond rate (US)	1.7605%	+0.0014	+8.91%

Upcoming RBA Events

Reserve Bank Board Meeting – 5th February 2013
Minutes of the RBA meeting – 8th February 2013

ABS releases March

Retail Trade (November) – 9th January
Building Approvals (November)-9th January
Housing Finance (November) – 14th January
Lending Finance (November) – 16th January
Labour Force (December) – 17th January

Upcoming US Economic Releases

US Employment Situation – 4th January
International Trade– 11th January
Producer Price Index – 15th January
Consumer Price Index -16th January
Durable Goods Orders (November) – 28th January
FOMC Meeting Announcement – 30th January
GDP (December) – 30th January
Jobless Claims –Weekly Basis
ISM Manufacturing Index – 1st February

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