New York Securities Pty Ltd

OPPORTUNITY AWAITS AND SOME FOOD FOR THOUGHT - OCTOBER 2016

OPPORTUNITY AWAITS

The pattern below is often interpreted as a bullish sign for stocks due to the patterns ascension. Unfortunately it's anything but as statistics reveal 73% of the time the **Ascending Broadening Wedge Pattern** as it's called, will break to the downside. A confirmed false breakout in the pattern occurred mid-September after a skittish market rejoiced the FOMC's decision to hold rates, a move likely to be short lived as we move through the December quarter;

If we take into account key events playing out over the next few months, notably the US election followed by the FOMC decision in December (where we predict the Fed will raise rates), we must resign to the fact the December quarter will be as it has historically, **Anaemic and Volatile**. A break of 5200 on the Index suggests a test of the patterns lower range of 4950 Index Points. The likely outcome, ***barring a black swan event*** is range trading between 4950 and 5200 Index points as the market heads toward the New Year.

The good news is this period provides investors with the perfect opportunity to review and adjust, where necessary, investment objectives and strategy. If there are stocks in your portfolio not aligned to your objectives consider selling before further weakness prevails. There will be plenty of opportunities over the coming quarter to acquire new companies and/or add to existing positions at attractive prices, so be patient.

Over the past few years our newsletters have provided you with tools to assist you in making better investment decisions. These include our preferred valuation technique Intrinsic Value among other concepts such Earnings Yield, Price-to-Book value and more. Be sure to equip yourself with these tools and take advantage of near-term opportunities before the market moves into the New Year, historically characterised with rising momentum that continues until the end of the April quarter.

FOOD FOR THOUGHT - IS THIS GLENN STEVENS GREENSPAN MOMENT?

The last five years of Alan Greenspan's 19 year tenure as the Federal Reserve Chairman (1987-2006) is often criticised as a leading cause of the 2008 Global Financial Crisis (GFC), second only to the enactment of the Gramm-Leach-Bliley Act by Bill Clinton in 1999 which removed the barrier between the activities of commercial and investment banks, giving rise to entities that would eventually undermine the Global Financial System.

Greenspan's error of judgement is said to have begun in late 2001. By then the US was facing a decline in economic growth and following the attack on the World Trade Centre (9/11) markets were concerned it was staring down the barrel of a deep recession. **What followed immediately was a relentless easing of Monetary Policy** that would result in the decrease of the Fed Fund Rate 11 times (6.5% to 1.75%) over the course of an 18 month period (May 2000 – Dec 2001). Over the next four years the Greenspan-led Federal Reserve would shift rates to a record low of 1% in June 2003, followed by a gradual normalisation of rates just in time for Greenspan's to announce his retirement (January 2006). **Just one year after his departure the US housing market would begin to collapse under the weight of mortgage defaults,** leading to the **Global Financial Crisis**.

In eerily similar circumstances, RBA Governor Glenn Stevens retires at a time when the cash rate sits at an historical record low and at a time economic circumstances call for further easing. Under his guidance the past decade of gradual easing has intensified Australians love affair with property **leading to a sustained and excessive rise in household debt** exceeding 195% of income, now the highest in the world among a global average of 78% and far greater than the 130% the US experienced before its housing market imploded. Although Australia has a paltry exposure to sub-prime type mortgages (i.e. low doc loans) of 7% compared to 23% the US faced prior to the GFC, our greatest risk lies within the prime mortgage market given the **heavy reliance households, banks and the economy have to the housing market**. Already cracks are appearing in pockets within the housing market and considering we are nowhere near the point of heading down the pathway of normalising the cash rate, it's becoming a concern. So given the close similarities, could Glenn Stevens exit be a forward leading indicator of what lies ahead for the Australian market? We'll let you decide........

DAYLIGHT SAVINGS ADJUSTMENT

We wish to advise clients as a result of the daylight savings adjustment the ASX market **opens between the hours of 7am (WST) and 1pm (WST).**

Accordingly our office will be open from 6:30am (WST) and will close at 3:30pm (WST).

Performance of Key Indices

Equities	*Close*	*Change (M)*	*Change % (M)*
All Ordinaries	**5525.15**	**-4.25**	**-0.08%**
S&P/ASX200	**5435.92**	**+2.92**	**+0.05%**
Dow Jones (US)	**18308.15**	**-92.73**	**-0.50%**
NASDAQ	**5312.00**	**+98.78**	**+1.89%**
S&P500	**2168.27**	**-2.68**	**-0.12%**
FTSE 100 Index	**6899.33**	**+117.82**	**+1.74%**
Nikkei 225 (Japan)	**16449.84**	**-437.56**	**-2.59%**
10-year bond rate (US)	**1.60%**	**+0.02%**	**+0.97%%**

Upcoming RBA Events

Reserve Bank Interest Rate Decision–4th October
Minutes of Meeting – 18th October

ABS releases March

Building Approvals (August) –4th October
Retail Trade (August) – 5th October
International Trade in Goods and Services (August) – 6th October
Housing Finance (August) – 11thOctober
Lending Finance (August) –14th October
Sales of New Motor Vehicles (August) – 18th October
Labour Force (August) – 20th October

Upcoming US Economic Releases

PMI Manufacturing Index – 3rd October
PMI Services Index – 5th October
ISM Non-Manufacturing Index–5th October
FOMC Minutes – 12th October
EIA Petroleum Status – 13th October
Producer Price Index – 14th October
Retail Sales – 14th October
Industrial Production – 17th October
Housing Starts – 19th October
Jobless Claims - Weekly Basis