



New York Securities Pty Ltd

Daylight Savings and The Market Enters the Fear Zone

DAYLIGHT SAVING

As from **Sunday 1st October** our backward State commences another period without Daylight Saving, putting us 1 additional hour behind Victoria and New South Wales. This means that the **ASX will now be open between 7am and 1.15pm Perth time** from this Monday 2nd Oct.

Consequently, as the majority of our operations occur during this time period, we are amending our **Official working hours to be 6.45am - 3.30pm Monday to Fridays** during this daylight saving period. If anyone forgets and calls outside these times, our phone will divert to message bank so please leave us a message and we will call you back at 6.45am the following morning, prior to market opening.

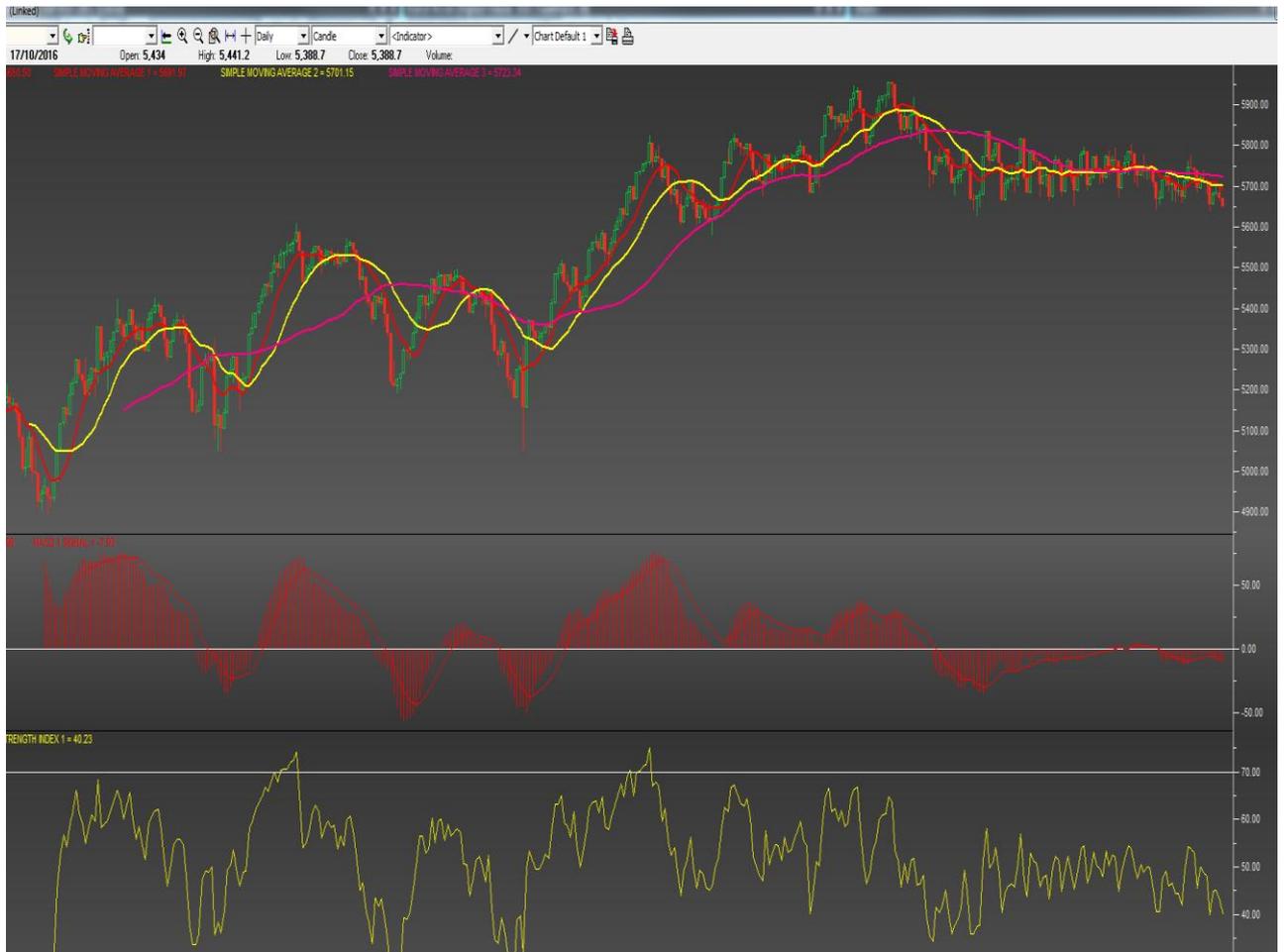
As the Australian Federal Government can't seem to bring all states into some sort of coherent arrangement to have the Queen's Birthday and other Public holidays into some sort of common dates, we will continue to work on WA public Holidays when the ASX is actually open, and conversely have our days off when NSW public holidays coincide with an ASX non-trading days. We will attempt to inform you of those days in advance.

FEAR ZONE

As advised in the September newsletter, we are now entering a period, from late September to mid - late October, when the market traditionally has the tendency to have a downward correction for a number of reasons. The psychology attached to previous corrections such as the 1987 crash, including all the minor ones each and every year after, plus the USA fiscal year end and quarterly window dressing are a few reasons.

I also provided a chart last month that showed how the ASX 200 has been trading within a very narrow range and in essence, flat lining for the last few months, as indecision reigns supreme.

As I write this, the chart is beginning to show a declining trend line that I suspect will accelerate over the next week or two, and at the moment I cannot see one Index in the green.



POSITIVE NEWS

For the fearful this is only a temporary downturn, but for the courageous with cash, this is a buying opportunity to buy quality stocks at lower prices, lower PE's and higher Dividend yields.

Trying to pick the exact bottom is fruitless, and you just need to remember that it is our belief that all stocks will improve towards the end of the year (after the expected October correction) and into the New Year until April. At which time we will once again need to review the Global conditions.

Yes the USA under Trump may have a boost if they can get the new Tax Laws through a totally recalcitrant and Anti Trump Senate..... gee, isn't that what we also have!? It appears to be a common theme among governments, and ours certainly doesn't want to be any different..!!!

The **Iron ore** price is once again under pressure. China, the biggest buyer and steel manufacturer, is preparing to reduce imports over winter because of transport difficulties and Environmental issues. Whilst they have rectified some of their past issues when Coal couldn't be transported to Power stations during snow storms and excessive wintery

conditions in the North, other transport and emission concerns still exist to varying degrees. I have been in China during a winter when the temperature dropped to minus 30 degrees.

The ports are stocked high with piles of iron ore but not always of the quality regularly used. Mining and shipping of Australian Iron Ore will also be affected during our Cyclone and wet season conditions in the North of Australia from October through December, when mines are in some cases put on care & maintenance. Excess production by big producers such as Vale still persists, but at some stage price destruction comes into play where prices drop too far even for the big players. We can only hope that China's massive infrastructure plans across Asia and Europe are successful, and the trade wars being considered between USA and China are also modified in the interests of economic preservation.

The **Oil** price seems to be gaining strength for whatever reason, and this may also be a self preservation mechanism between the Oil producers worked out in back rooms, as the USA increases its production of shale oil and gas. Countries such as Saudi Arabia, Iran, Nigeria, etc rely very heavily on the Oil revenue to meet the budgets and operating costs of the country. The loss of income means poorer conditions for the people, but probably no fewer funds for the generals.

A rising Oil price adds to Global Inflation by increasing transport costs globally and actually sucks excess currency from non-producing or minimal oil producing nations, which would otherwise be used for consumer purchases. It transfers those needed funds into the hands of Countries who are mostly Mid East countries, African countries or countries run by dictators which only fund wars, oppression and destruction of their own people. IE: Venezuela who reportedly have the world's largest known reserves of oil, but is an economic basket case and its people cannot even buy toilet paper. What is the purpose of the United Nations, NATO, the World Bank and or the International Monetary Fund you should ask? They are all run by sniveling self serving Lefties who like to give away other people's money without any accountability, and continually want more, like Oliver Twist going back with an empty bowl and saying..... Please Sir may I have some more.

Gold is still in demand from the smart Global players such as China, Russia, India and numerous investors who have suffered at the hands of their Politicians destroying their currencies over multi years. It is now even more important, where the production from gold mines is not increasing sufficiently, and scrap from jewellery etc may not be sufficient to make up the supply difference demanded by jewelers, investors and Governments.

Australia sold all of its Gold back when Costello was treasurer even though we were the top gold producer in the World at that time. We are now third dropping behind China (being number one) and Russia about to take the mantle of second. China and Russia do not sell their Gold; they retain it and buy it from the producers, if indeed it is not owned by the Government or the friends of the Government. Australia exports most of the gold mined and is minted at the Perth Mint before export.

Russia has around 1715 tonnes of gold reserves, China reportedly has 1845 tonnes although it could be substantially higher, and Australia has 79.85 tonnes and all of that held in London.

What should be considered now is that if Saudi Arabia, Russia and China and to a lesser extent India decide to accumulate Gold in lieu of US\$'s to exchange for Oil and or other commodities, you will start to see a lack of demand for US\$'s. Iran and North Korea can be added to this who will also be using gold to circumvent the USA currency transactions controls and sanctions on trade.

If inflation starts to take hold, in spite of the manipulated Government statistics and in the real world of lower US\$ buying power, we will see a substantial increase in the price of Gold. While the US price of gold is up and down based on one or more of those back room dealings, the AUD\$ price is at today around A\$1,638.

Nationalism and Sovereign Risk

Governments as usual cannot stand to see companies and individuals make too much money or profit and when it becomes apparent, they must tax it. When tax is not enough they impose Super Profits Tax, or increased Royalties or insist that at least 51% control of the mines must be transferred to the Government or to a well placed friend of the Government. Of course they do not invest any funds or take any risk, they just want the money to spend and buy votes, or just to put into their own back pockets, depending on which country you happen to be in.

Heaven forbid they should privatise assets and or reduce spending on wasteful pork barreling to buy votes.

Australia without doubt could be one of the greatest Nations on earth. We have massive resources, where some countries like HK or Singapore have none and must import all their oil, gas, and materials and yet we struggle compared to them and their living standards.

Our Tax rates are too high, Payroll Tax, Stamp Duty and an inequitable distribution of GST are disgraceful, and where else in the world are you taxed for employing people or taxed to transfer an asset where the taxes go straight into General Revenue for no value to the payer.

GST and Stamp Duty are the two biggest contributors to housing prices apart from the slow release of government land, who want to maximise the value when sold.

The Unions and the past labour Governments have destroyed the Country with excessive unnecessary debts, and stand in the way of reducing the debt with absolute obstructionism. That does not mean I support the now left leaning Liberal party as they are all tarred with the same brush. The consistent abuse of the benefits they are granted, including their illegal

and immoral actions, are a disgrace on them personally and all governments who bury it and do nothing to act against it.

We as mere mortals have to accept that we only have one vote, in the mean time we organise our affairs to pay the minimal tax on our earnings and develop our own long term assets in such a way as to create our own financial security, so as to never be reliant on any Government.

Next month may be a good time to start getting prepared for the ever changing Global circumstances, of which there will be many, including massive changes in Technology & Biotechnology which is very exciting and could bewilder us for the years to come.

VIX Fear Index

You will note from the below VIX chart that there is a slight down turn in the ASX 200 and a small lift in the VIX fear line. As I indicated in last month's newsletter, I expect the VIX to rise to around 16, or possibly higher during October (refer to the previous October rise spike to 21) and the ASX 200 to drop to 5600 or possibly 5500. This will have a corresponding reduction in the PE's shown on the 19th September and a rise in the dividend yield. This will only be temporary so you need to take advantage of the move down.





In the meantime :

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