Currey Financial Services Ltd

Topictalk

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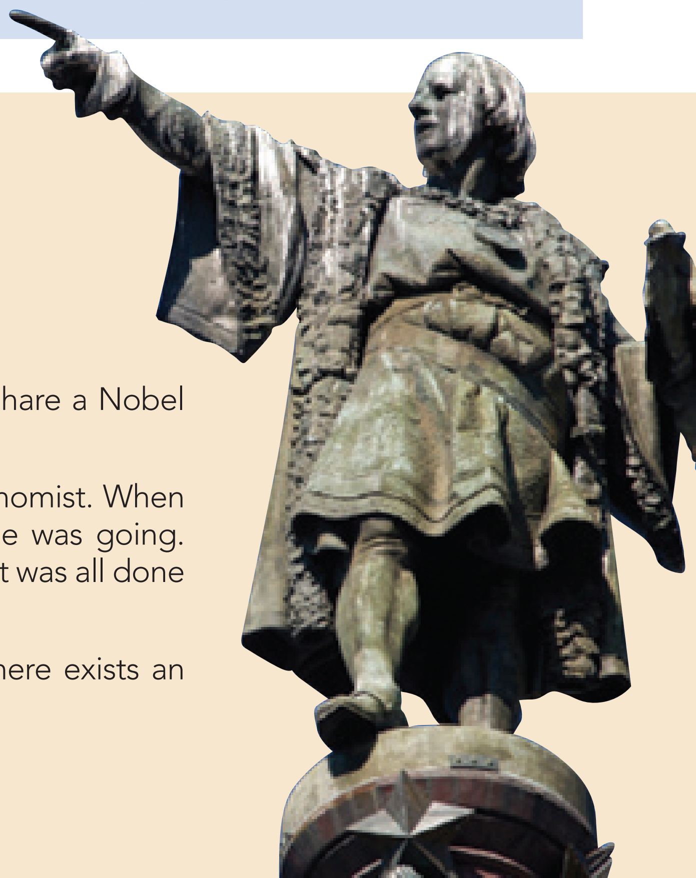
INVESTMENT • INSURANCE • SUPERANNUATION • MORTGAGE BROKING • HEALTH INSURANCE • KIWISAVER

Greetings from the team at CFS.

I have to admit to struggling to write this newsletter, it seems that we only just sent out the last one! The year seems to be passing by very quickly, my daughters have finished their netball season and my son only has two more games of football. With the usual amount of media negativity we thought we would brighten your day with a couple of pertinent cartoons, some pointed observations about economists and reprinting an interesting article that appeared recently in the NZ Herald. If you have any comments or questions please call us!

"Good grief! This balance-sheet won't do – why damn it, a child could understand it."



Economists

- Economists have accurately forecasted 9 out of the last 5 recessions.
- Economics is the only field in which two people can share a Nobel Prize for saying opposing things.
- They say that Christopher Columbus was the first economist. When he left to discover America, he didn't know where he was going. When he got there he didn't know where he was. And it was all done on a government grant.
- **The First Law of Economics:** For every economist, there exists an equal and opposite economist.
- **The Second Law of Economics:** They're both wrong.

Back to the future to find way ahead

An NZ Herald article written by Mark Lister

2010 might seem rough but 1990 wasn't that flash either and markets have done fine since.

With so much uncertainty and risk swirling around the markets today, many people are understandably reluctant to invest at present. In hindsight, today is somewhat reminiscent of 1990, although in many ways things were worse 20 years ago. The early 1990s was a tough time for investors. Unemployment was close to 10 per cent, commercial property prices were collapsing, GDP was shrinking, inflation was 7 per cent and the floating mortgage rate stood at 14 per cent. Our sharemarket had halved in value over the previous three years. Then, just when you thought it couldn't get much worse, Saddam Hussein invaded Kuwait, sending the sharemarket down another 30 per cent. Then we went through what Britain is facing now, big budget cuts, needed to fix a sick looking set of public accounts. Our economy, already suffering, rolled over. GDP fell further and unemployment pushed higher. Those were the days. In the midst of all this terrible news, the New Zealand sharemarket quietly found a bottom in early February 1991. It is important to note that this market bottom occurred some time before the economy reached a bottom, with unemployment continuing to rise until the last quarter of 1991, and GDP growth not entering positive territory until the last quarter of 1992, about 18 months later. People who had the fortitude to invest during this maelstrom of bad news over 1990 have had a good run during the past 20 years. New Zealand shares are up 320 per cent, house prices by 217 per cent and Australian shares have gained an impressive 538 per cent. In fact, all assets did well. Fixed income, represented here by six-month deposits, returned 6.8 per cent a year before tax and 4.8 per cent a year after tax, still well clear of inflation, which rose 2.2 per cent a year.

Returning to today, what is the chance that returns over the next 20 years will look similar to those during the past 20? Today, as in 1990, investors have plenty they can worry about; Sovereign risk, debt, budget deficits, inflation, deflation, weak house prices, rising interest rates, volatile sharemarkets, oil slicks and so on. It is impossible to predict how all this will impact on markets and future returns. For sure, the coming years will see the usual mix of volatility, risk and scary events. But by 2030, 2010 may end up looking a lot like 1990 does today. History may well repeat itself.

"I just want to say that this is the best Board of Directors I've ever been on, and I hope we can all stay friends for ever and ever."

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