

**"Will Dr Phil Lowe really avoid throwing us
into a recession?"**

Peter Switzer: Switzer Financial Group

Economic forecasting is easier but still hard!

1. In 2021, I said: “I’ve never studied or taught PANDEMICS 101!”
2. Lockdown: the usual economic data meant less because of closures, restrictions, JobKeeper and other support measures.
3. Pandemic problems are reducing, China is reopening, supply chain getting better.
4. We now have inflation and aggressive central banks + recession fears.
5. Russia & China are making forecasting trickier. Let’s look at the headwinds...

Here's a BIG headwind but there are more...



More headwinds...

1. The Fed and how many more interest rate rises?
2. Will inflation be sticky in the US and here?
3. Will Dr Phil get rate rises right to beat inflation and avoid a recession?
4. Will Albo and Dr Jim's May Budget help or hinder the economy?
5. A banking crisis?
6. Will China hurt or help our economic story?

What are the bond and stock markets tipping?

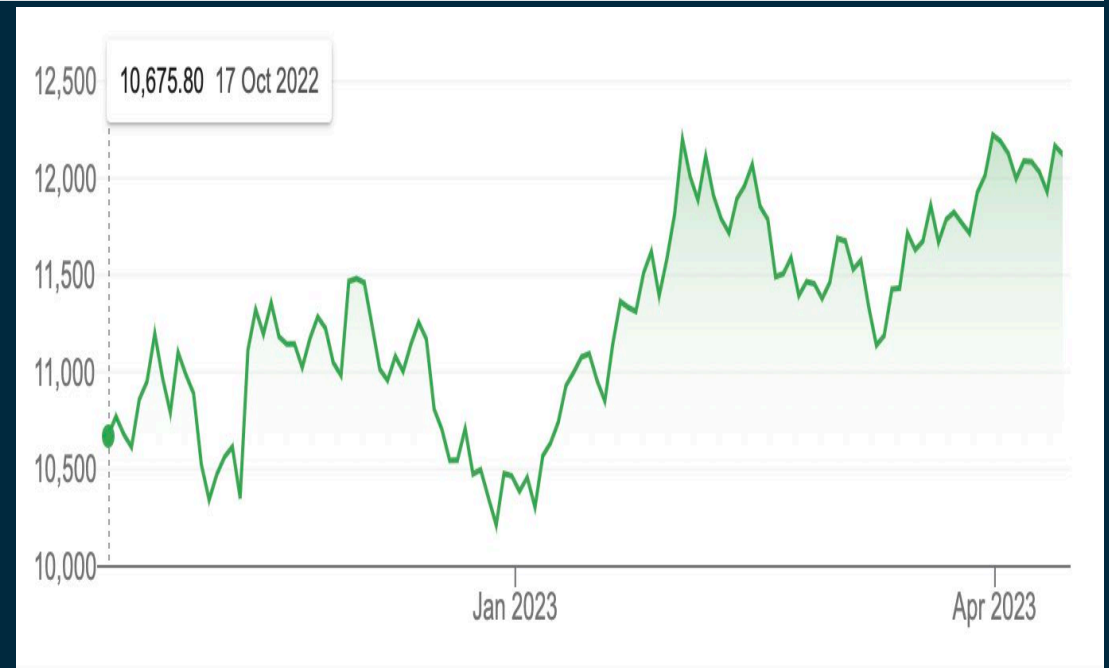
- **Chris Joye of Coolabah Capital and the AFR on the local bond market: “...bond prices suggest the RBA cash rate is expected to be 25 basis points lower by December.”**
- **The US bond market: “...the bond market tipping the Federal Reserve will cut rates by about 100 basis points by January!”**
- **Australia looks like an economic slowdown, while the US will find it hard to avoid a recession with the bond market’s expected cuts implying a recession is unavoidable.**
- **Janet Yellen: Slowdown + banks will cut the need for rate rises + the banking system is safe and stable.**

What's the stock market expecting?

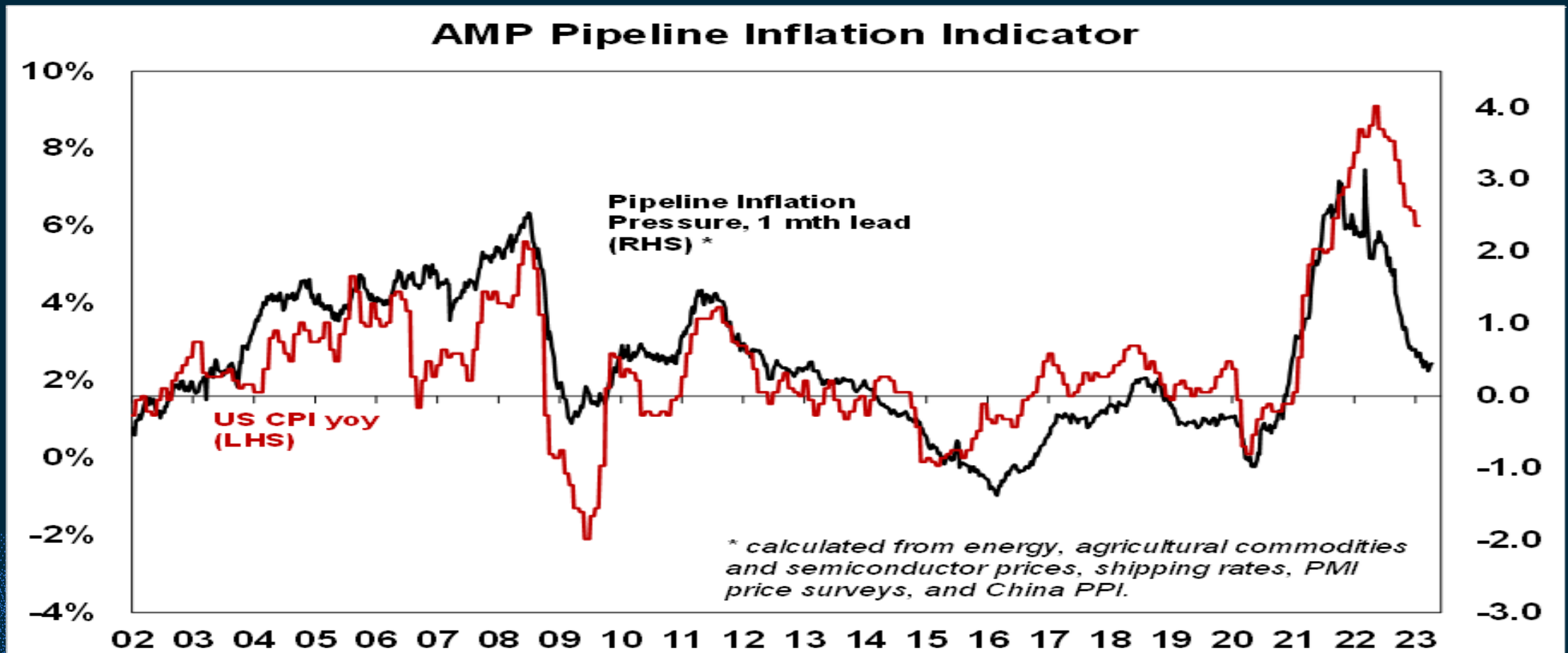
- **Jamie Cox at Harris Financial Group: “The Fed built a wall with interest rates and now the economy is running into it.”**
- **Chris Zaccarelli, CIO at Independent Advisor Alliance: “The jobless claims in particular lends credence to the idea that the Fed’s rate hikes are beginning to cool down the labour market and slow down the economy. The odds are much higher that it will cause a recession – and even a significant recession – than most people are currently willing to believe.”**
- **The data drops & Fed-watching = the main game for a US recession.**

January effect = positive story for stocks.

- “As January goes, so goes the year!”
- Nasdaq up 16% in first quarter 2023.
- 3rd year of a US Presidency.
- Rebounds out of recession.



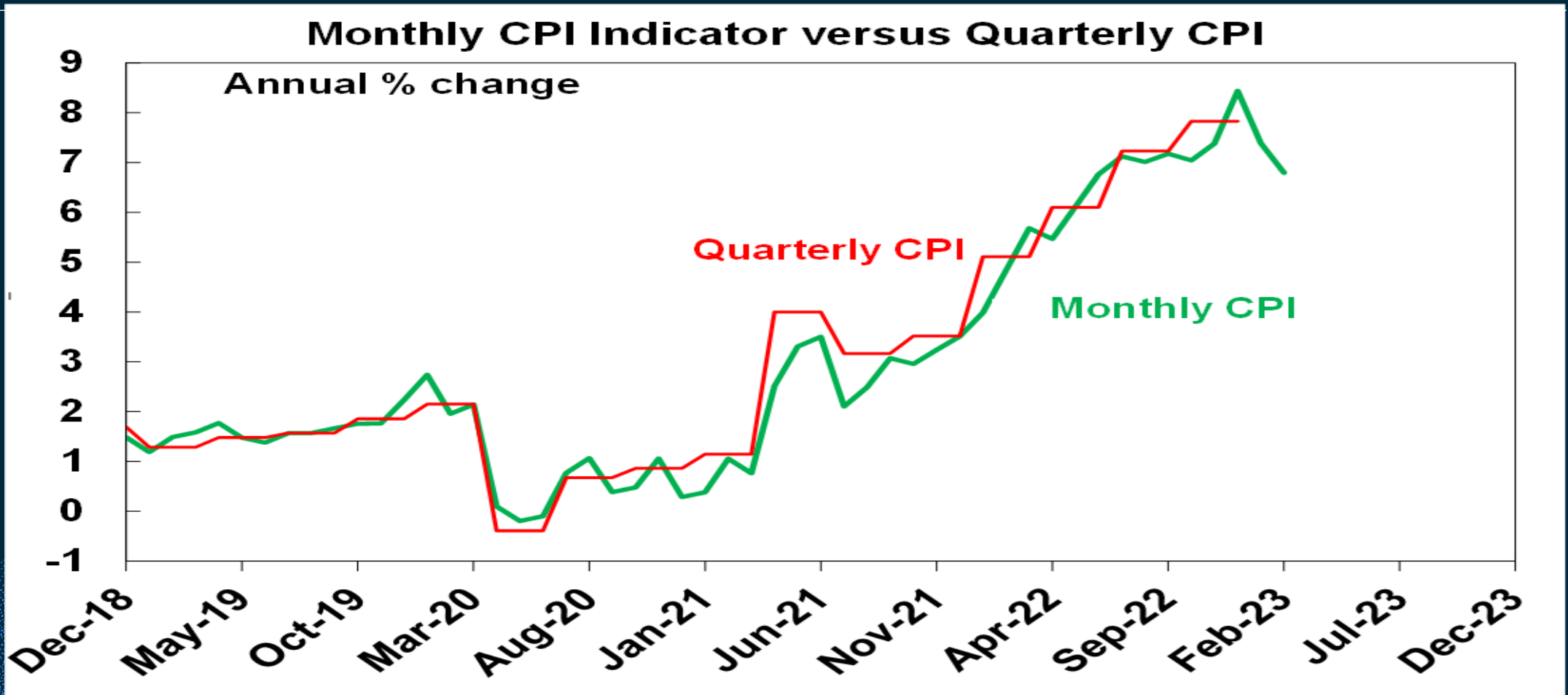
Main game? Beating inflation — it's happening!



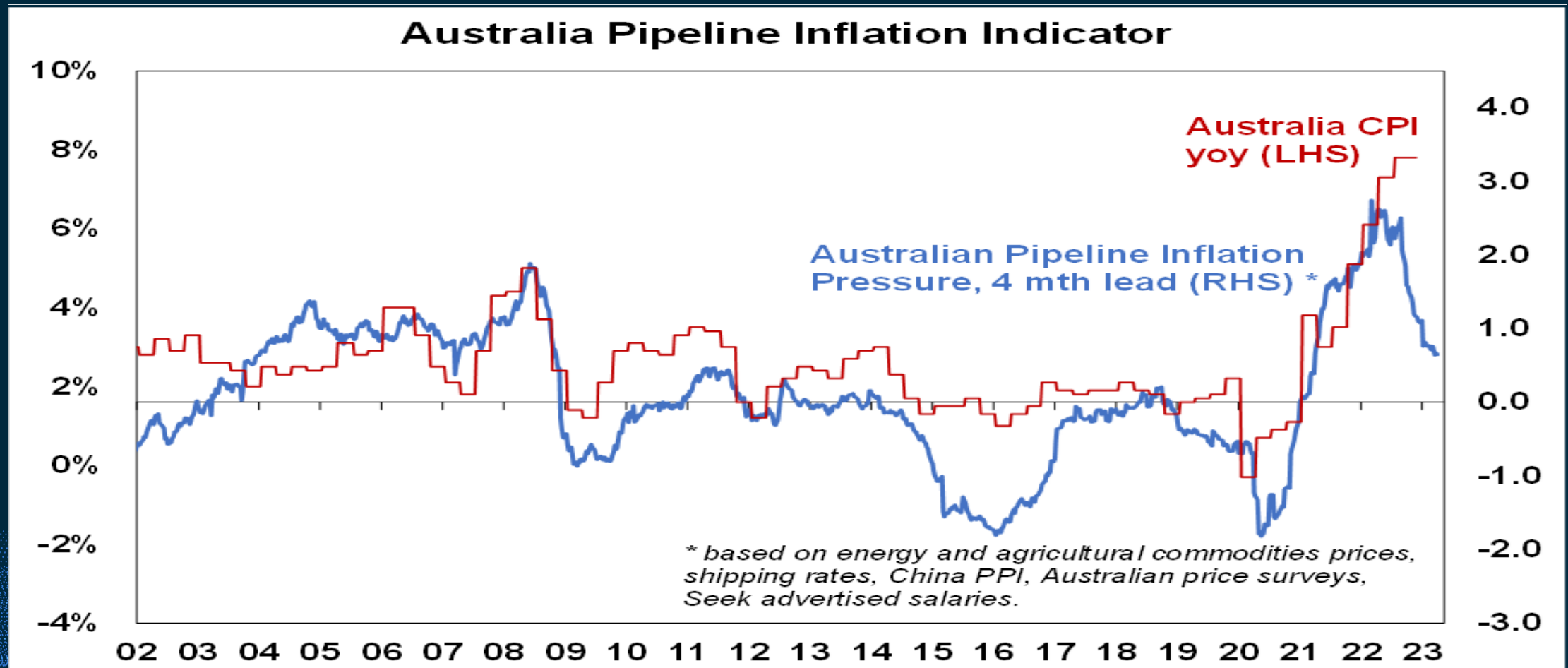
US just had a good week for inflation taming!

- **March CPI came in at 5% = best reading since 2021.**
- **Producer Price Index falling by 0.5% which took the annual growth rate down from 4.9% to 2.7% — that's the lowest since January 2021, but more importantly, it is close to the last 20 years' average!**
- **Retail dropped 1% in March, but economists were tipping 0.5%, so it not only has economists tipping no more rate rises, some are expecting interest rate cuts later this year!**
- **I hope they're wrong!**

Dr Phil's battle with inflation



What the AMP Pipeline Indicator predicts...



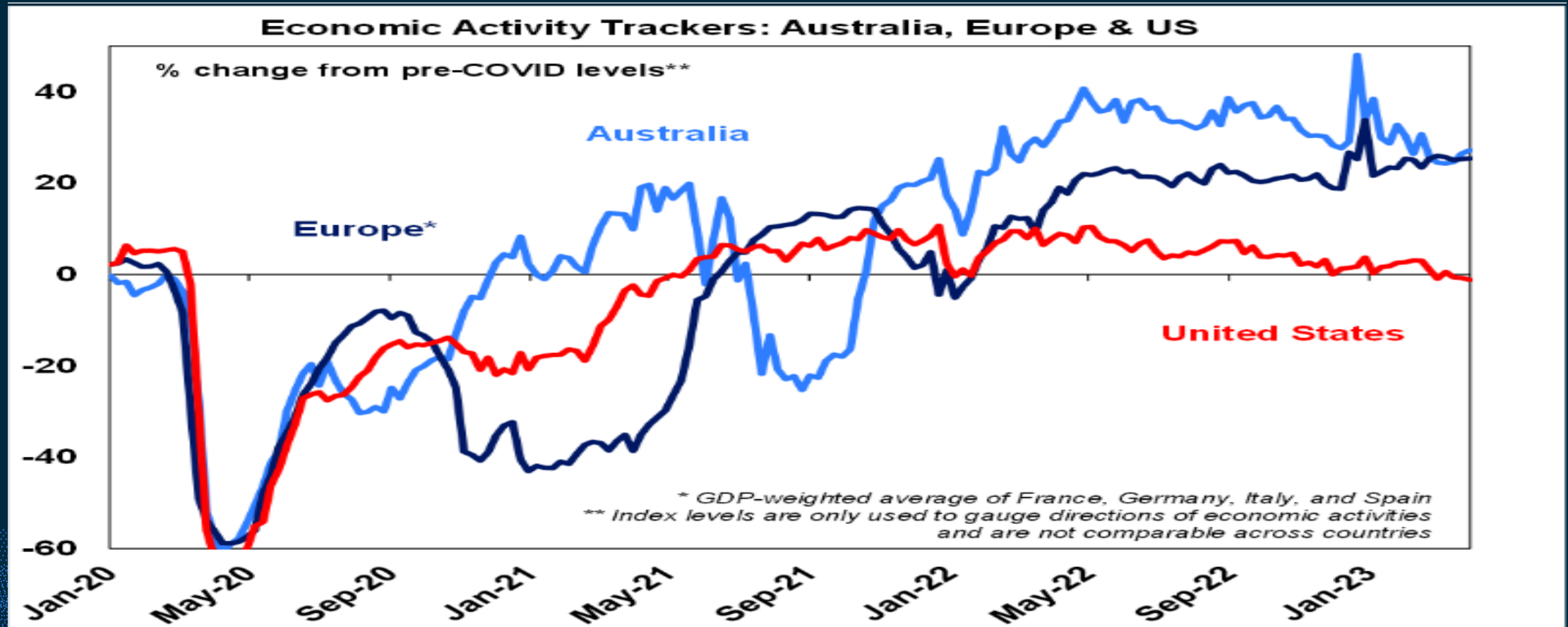
Aussie inflation numbers

- **Monthly CPI for Feb:** The monthly CPI indicator was 7.4% in January and then 6.8% in February when economists tipped it to be 7.1%.
- It led to a pause by the RBA but will we see an 11th rise?
- Our recent job numbers were no help — 53,000 jobs created in March and unemployment stayed at 3.5%.
- **Dr Phil's dilemma:** Too many rises or too few?

Dr Phil can't afford another screw up, nor can we!

- **Dr Phil's no rise until 2024 was an embarrassingly bad call!**
- **The RBA board let many borrowers down too.**
- **No playbook for interest rate rises to kill inflation post-pandemic especially with...**
- **The mortgage cliff: 880,000 from fixed to variable lo.**
- **Ratio of fixed to variable loans 40% v 15%.**
- **What if he stops raising and inflation remains high?**

Is the economy slowing to help beat inflation?



Why did the RBA paused on rate rises?

- ~~Monthly inflation came in at 6.8%, not 7.2%.~~
- Building approvals are 31.1% lower over the past year.
- Owner-occupier credit at two-year low pace & business lending growth also is near a two-year low.
- Business and consumer confidence is at deeply pessimistic levels .
- Increasing talk of a slump in unlisted non-residential properties of 20% .
- Retail sales are down by 1.5% on a three-month average.
- 40% of borrowers (over 800,000 people) face a mortgage cliff mid-year. Repayments increase by \$10,000 to \$20,000 a year for loans from \$550,000 to a million dollars. 10 rises = fastest monetary tightening ever!

NAB's economics team view: no recession!

- **Economic growth: 0.7% for 2023 = serious slowdown!**
- **Peak cash rate = 3.6%. Cash rate now = 3.6%.**
- **Economic growth 2024 = 1.3% with C down, pop up and global economy a big ?**
- **Unemployment now 3.5% but 2024 = 4.7%**
- **Inflation peaked December 2022 but rent, energy and wages + global disinflation means 3% by late 2024.**
- **House price falls 2023 = 4% v old forecast of 11%!!!**

AMP's Shane Oliver's crystal ball = no recession!

- 6-12 months: easing inflation pressures, central banks “get off the brakes and economic growth weakening but stronger than feared”.
- Stocks up more than 2022 but risks = interest rates, recession risks, geopolitical risks and raising the US debt ceiling.
- Australian shares: likely to be boosted by stronger economic growth than most OECD countries and stronger growth in China supporting commodity prices. Grossed-up dividend yield of around 5.5% = a plus.
- House prices: 15-20% drop too big. Population + rents + supply limits price falls.
- \$A to rise while the US \$ to fall.

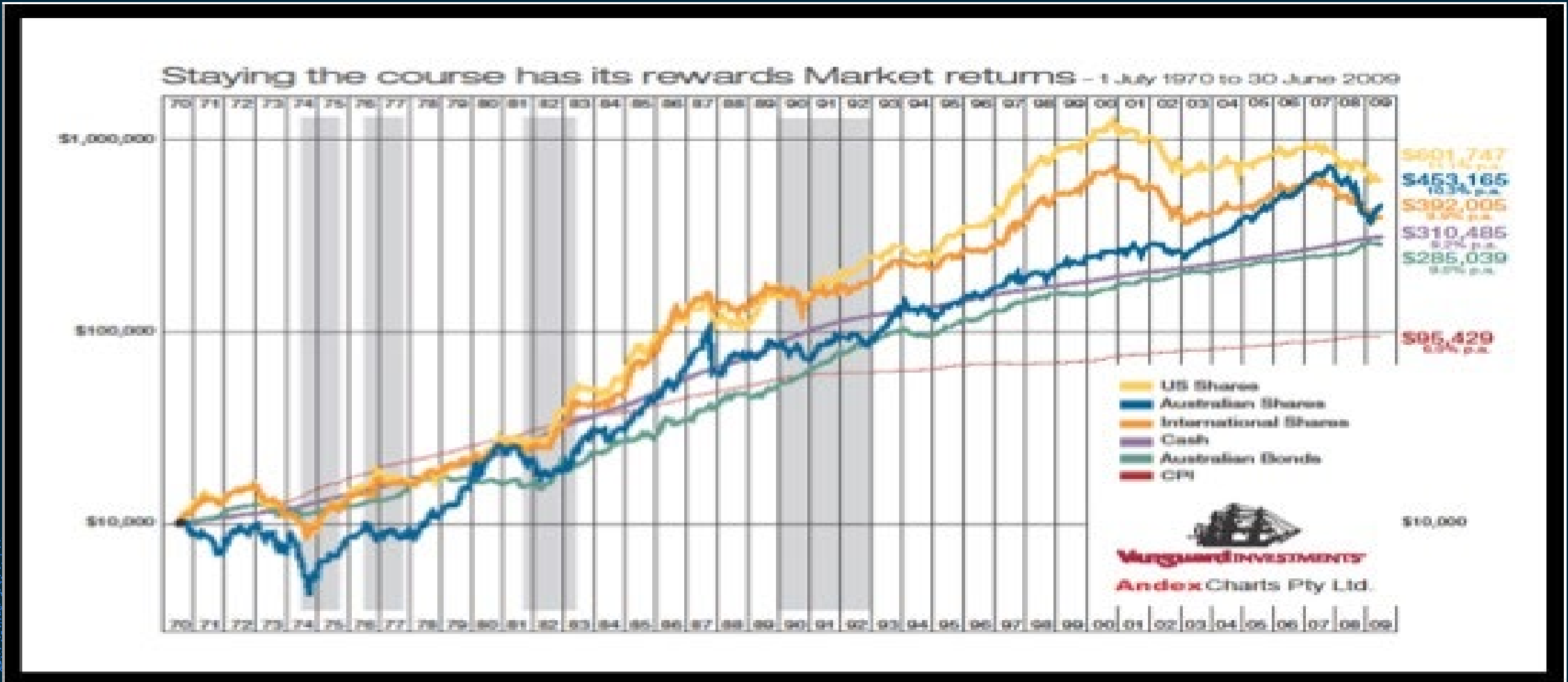
What could go wrong?

- **RBA goes too hard or too soft!**
- **The Fed creates a too-hard recession.**
- **Banking crisis.**
- **Dr Jim's Budget on May 9.**
- **Putin, Xi Jinping, et al.**
- **OPEC+.**
- **A Black Swan like the Coronavirus.**

What could go right?

- **Economic data flow leads to no more rate rises.**
- **We avoid a recession and a manageable slowdown happens.**
- **Rate cuts start at year's end and 2024 economic growth is better than expected.**
- **The mortgage cliff not as steep as we think.**
- **The stock market rebounds and lower rates and better-than-expected growth prevails and Dr Phil is partially forgiven.**

My favorite graph shows optimism makes sense & \$!



What can you do for YOU, your team & clients?



- 1. Thinking is the basis of competitive advantage.**
- 2. Learn from legends.**
- 3. What's your plan for self-improvement?**
- 4. Are your goals written down?**
- 5. What are you doing for your team and clients?**
- 6. Meditation? 30 mins a day?**

Jobs created Apple — best business in the world?



- 1. “Our brand is the embodiment of trust.”**
- 2. Had a relentless and passionate commitment to what customers want.**
- 3. He was fanatically opposed to second-rateness.**
- 4. What’s your uncommon offering?**

What's cooking in your business?

S.W.O.T yourself:

- 1. Strengths**
- 2. Weaknesses**
- 3. Opportunities**
- 4. Threats**



How badly do you want to win?



“There were times when deep down I wanted to win so badly I could actually will it to happen. I think most of my career was based on desire.” – Chris Evert



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