



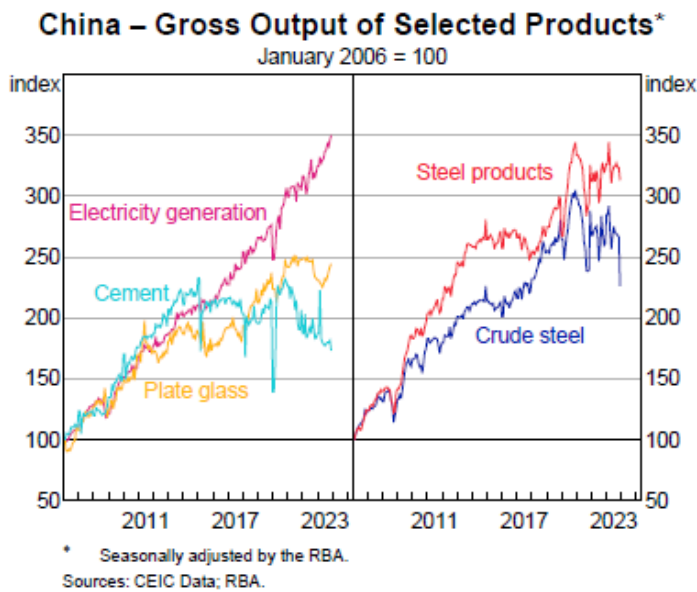
On Wednesday this week, the RBA released its chart pack summarising macroeconomic and financial market trends in Australia.

As per usual, it contained some interesting charts:

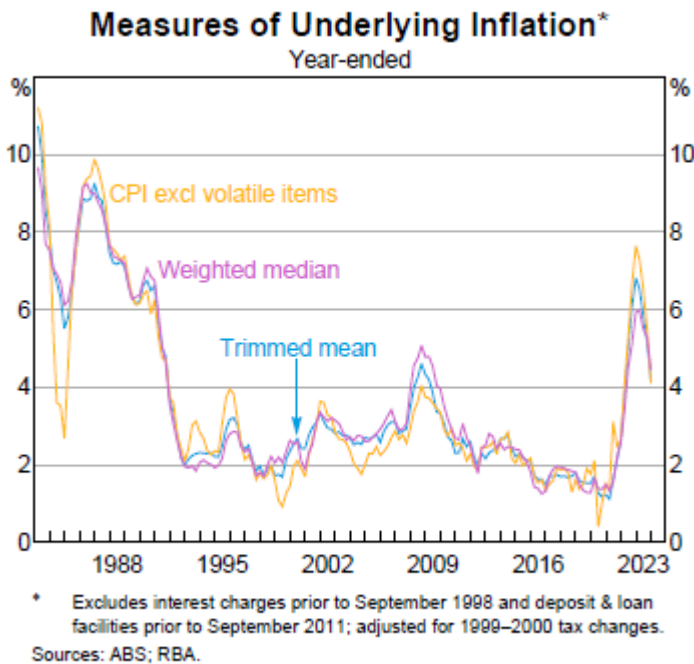
- 1) The rapid decline in the Chinese residential property market. One of the key reasons why we've been bearish iron ore for the last few years.



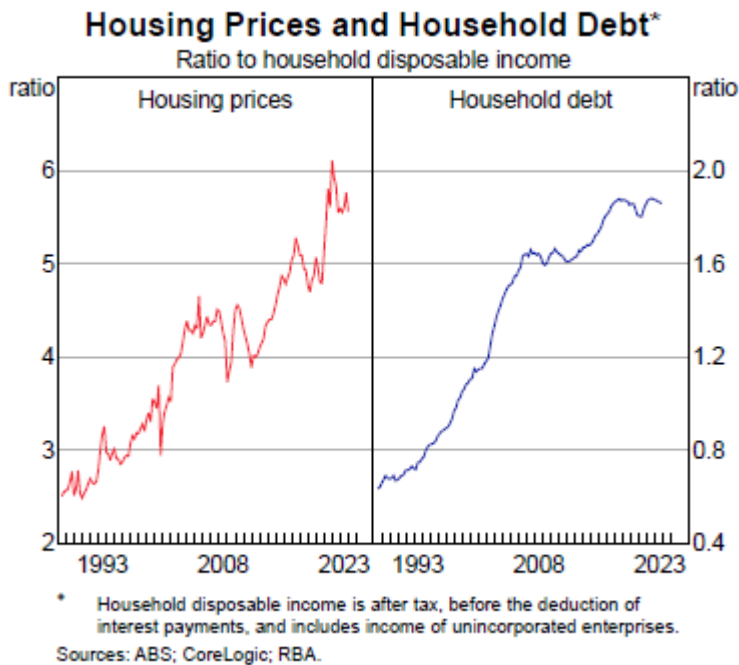
2) Obviously, the iron ore slack was taken up in other steel products.



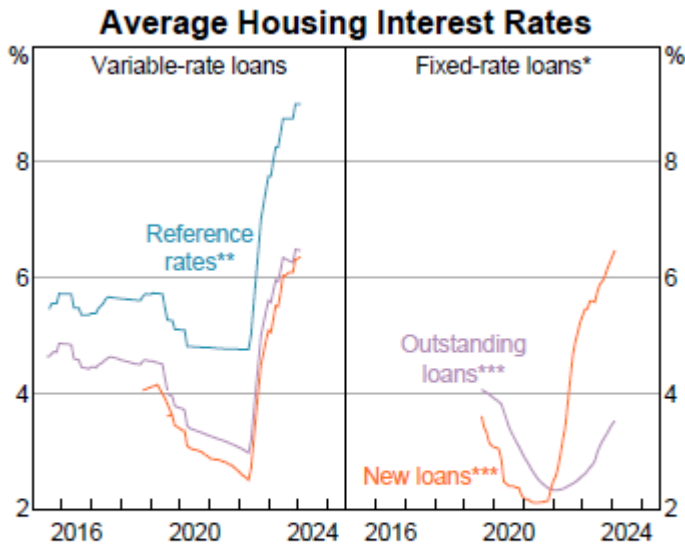
3) The spike then reversal of Australia’s underlying inflation. Does it stop here or keep falling?



- 4) Unabated escalation of the Australian house prices and debt. To counter this terrifying growth, all banks recorded record, or near record low provisions for bad and doubtful debts.

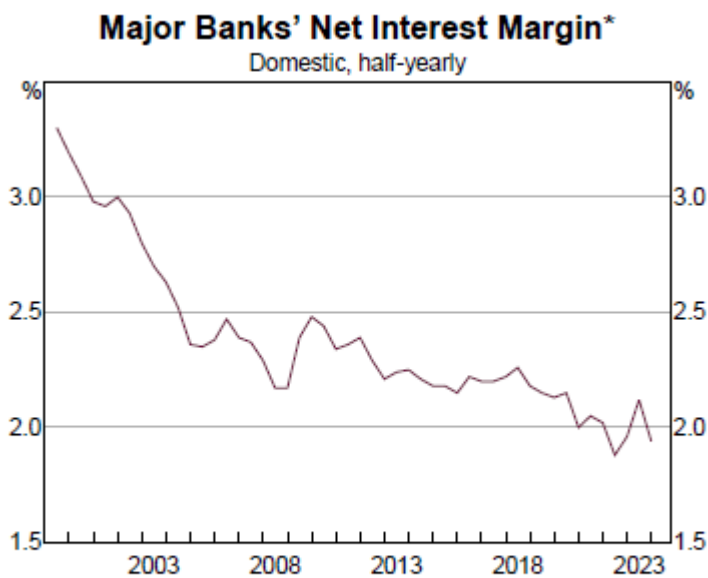


- 5) And yet... the holding and servicing cost of these properties has kicked hard.



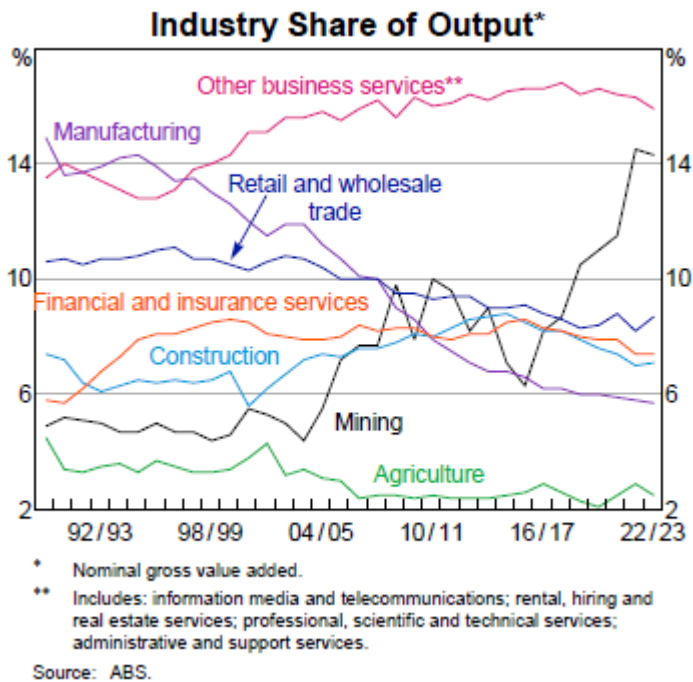
* Weighted average interest rate across all fixed-rate periods.
 ** Major banks' standard reference rates for owner-occupier variable-rate loans.
 *** Series break in July 2019; thereafter, data based on EFS collection.
 Sources: APRA; banks' websites; CANSTAR; RBA; Securitisation System.

6) Despite this, the banking sector is expensive. Why this country loves to buy these businesses despite their deteriorating margins year after year is beyond me. If that margin was in any other industry in any other country, the share prices would have been monstered.



* Data for a given period relate to banks' public profit reports released in that half; IFRS basis from 2006, AGAAP prior; excludes St George Bank and Bankwest prior to the first half of 2009.
 Sources: Banks' financial reports; RBA.

7) And finally, the continued decline in manufacturing versus growth in mining. Unfortunately, productivity improvements in Australia are non-existent, rendering anything other than digging holes and selling dirt too expensive.



As an aside, the desire by the current sitting Government to impose influence over the RBA board selection, is yet another illustration of their yearning for policy settings to be 'guided'.

Rewinding back to 2023, an independent review of the RBA recommended that the section 11 veto power in the Reserve Bank act be removed to guarantee the independence of the RBA. But after a senate hearing, there were a number of objections from the likes of former RBA Governors- Ian McFarlane and Bernie Fraser, academics and even Peter Costello.

The Greens and a number of liberal backbenchers were also in opposition to the recommendations. NB: Bearing in mind the Greens only opposed it to garner support for their own policies, at which point their opposition will flip to support.

Although the veto power has existed for some time and never been utilised, the reason this is now an issue is because of the increasingly vocal commentary by the sitting Treasurer to exert influence over the RBA, if he disagrees with the Central Bank policy.

At a time when political shenanigans for the 'cause of the party' are increasingly utilised globally, do we want this sort of power to be in the hands of a non-independent?

Chalmers is a relatively level-headed treasurer. But with the explosion in political tribalism we seem to be experiencing, what about the next one, or the next one, or the next one- who knows which political party could be running the show, in concert with the lobby groups that fund them?

If anything, it is a great opportunity to remove the potential for political involvement in purely economic decisions.

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MARCH 2024



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- HIGHLIGHTED IN THIS PUBLICATION:**
-  GLOBAL STRATEGIC ASSET ALLOCATION
 -  REGIONAL ASSET ALLOCATION
 -  GLOBAL SECURITY SELECTION
 -  REGIONAL PORTFOLIO CONSTRUCTION

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Enjoy the weekend,

Ben and the team.

This report has been prepared by Ben Morrissey

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