INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Investment insight series

Presented By

**Ashley Owen, CFA**
**Owen Analytics**

9 May 2025

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Disclaimer

The content of this presentation is intended to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information.

In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances.

This presentation is used for education and training purposes by Ashley Owen. It may not be used in any capacity or published without the permission of Ashley Owen and the Institute of Financial Professionals Australia.

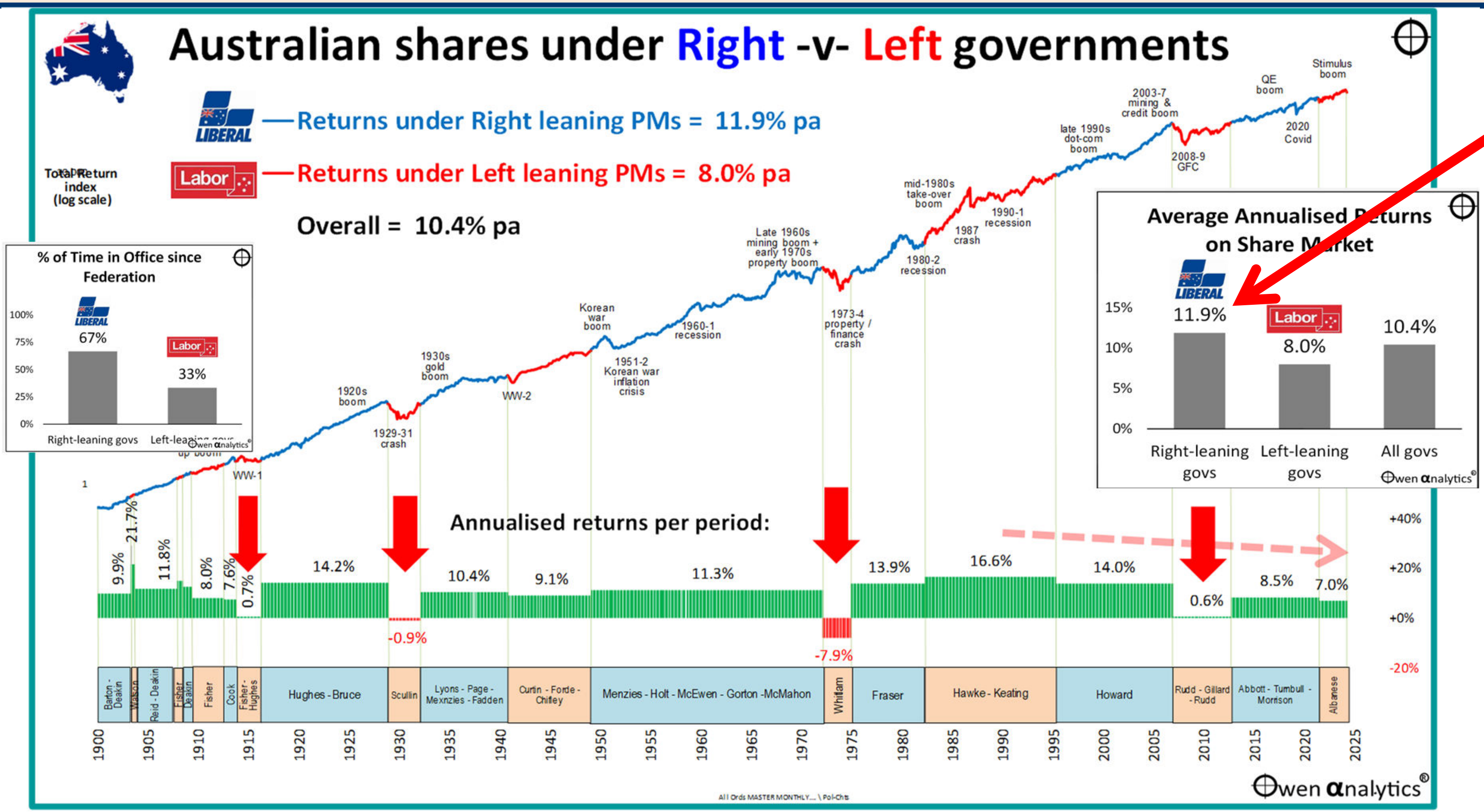
# Agenda

1. Federal election – implications for investors?
2. Share markets – more rebound? Or more downside?
3. Inflation & interest rates – are we there yet?
4. Trump – what's his real agenda?

# 1. Federal election – implications for investors?

- Labor -v- Libs: past records on deficits & debts, share market
- Mandate for attacks on the ‘rich‘ - Div 296, discretionary trusts, franking credits
- Any prospects for reforms to boost productivity + real living standards?

# Labor -v- Libs: past records on share market



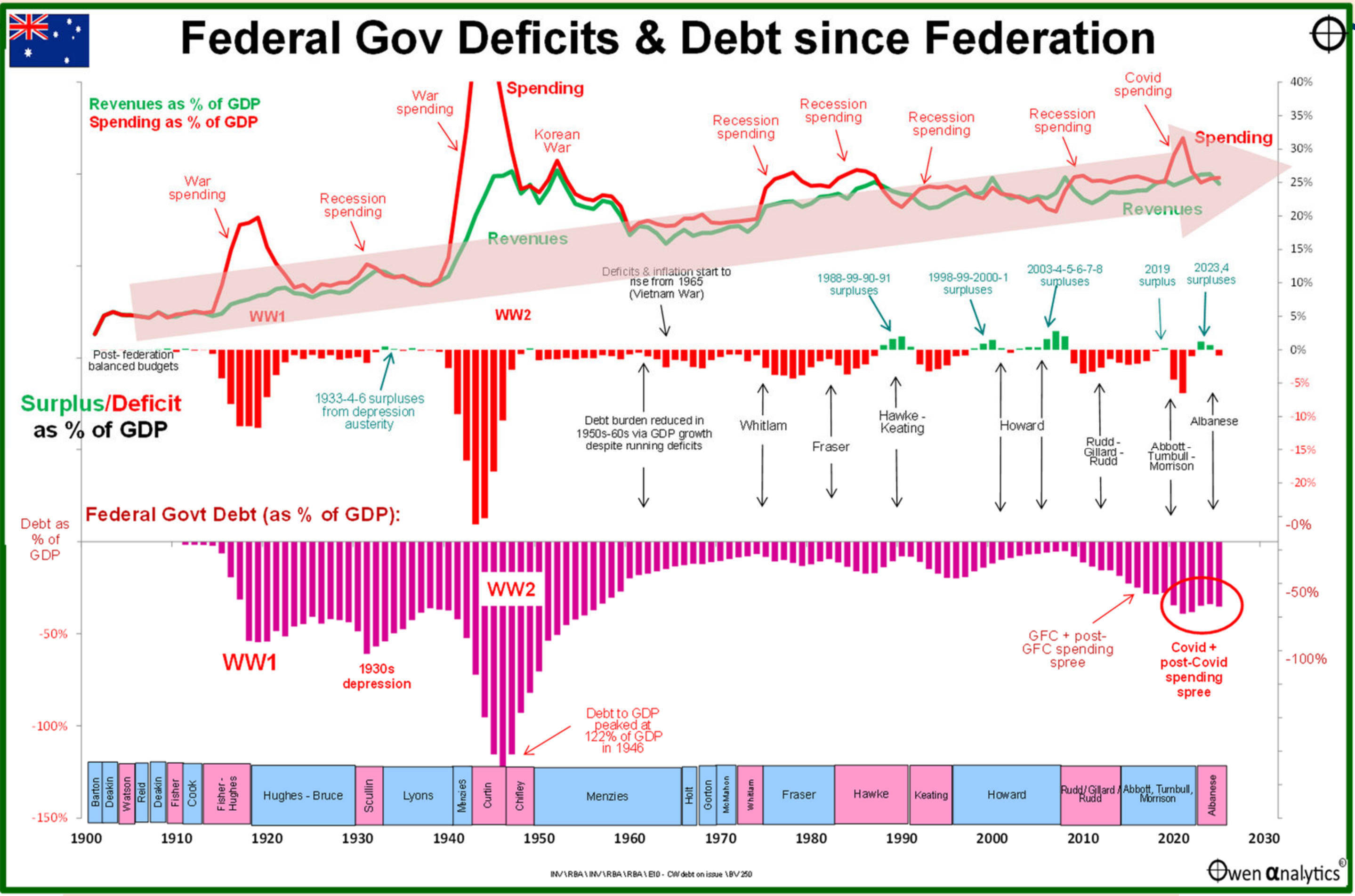

**Right leads overall**

- But mostly due to (un)lucky timing
- Labor got:
- WW1 (Fisher)
- 1929-31 crash (Scullin)
- WW2 (Curtin, Chifley)
- GFC (Rudd)
- Whitlam was an own goal for Labor

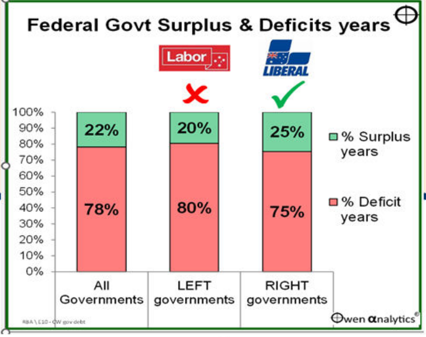
Full story here -[Labor -v- Libs: which side has been better for the Aussie share market?]

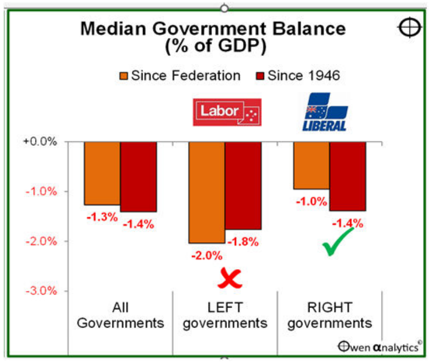
INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Labor -v- Libs on deficits & debts




Full story here -[Labor -v- Libs: which has a better record on Deficits & Debts?]




## Right leads overall

- Left has run deficits more often + larger deficits than Right
- But mostly unlucky timing (WW1, 1930s depression, WW2)
- **POOR marks for Both sides** post GFC – **both** are now addicted to deficits + debts

# Post election – what's next?

- Mandate for attacks on the 'rich' - Div 296, discretionary trusts, franking credits

**= Bonanza for tax advisers!**

- \+ we can be sure of more endless fiddling with rules

**= Never-ending Bonanza for tax advisers!**

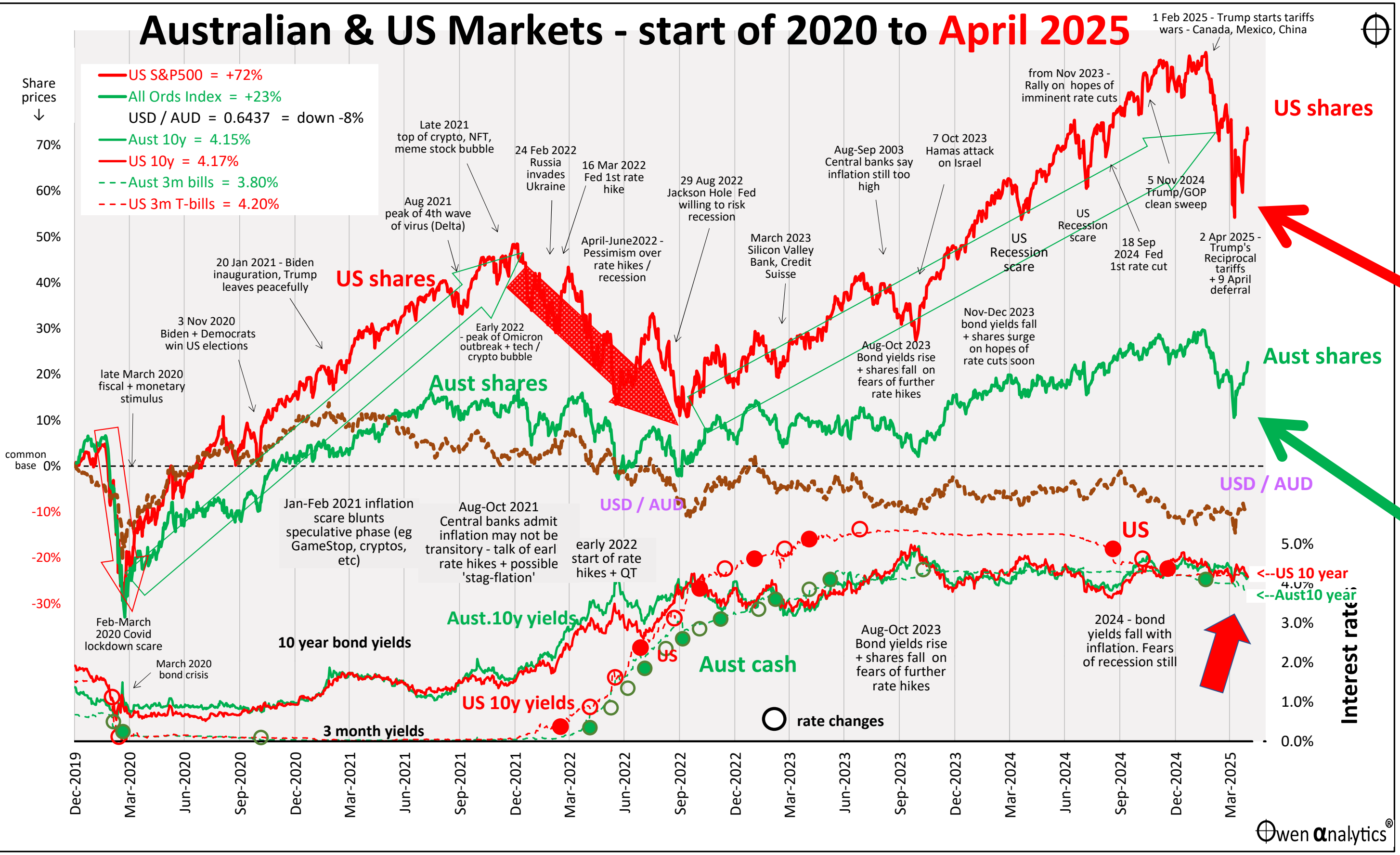
INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Prospects for economic reforms?

- Any prospects for reforms to boost **productivity + real living standards**?
- Encouraging corporate/foreign investment?
  - Lower/simpler taxes? — No – need to raise taxes to pay for expanding gov
  - Less regulation? — No – more complex/expensive/litigious
  - More labor market flexibility? — No – Labor winding back productivity-boosting reforms
  - Less red/green/black tape? — No – more layers, complexity, costs, delays
- Lifting overall average levels of productivity + living standards?
  - Rising size + proportion of gov/taxpayer-funded ('care economy')
  - 'work'-from-home

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# 2. Share markets – is this the BIG one?




## Falls in the past 5 years:

**US (S&P500):**

- Fell -33.9% in Feb-March 2020 Covid
- Fell -25.4% in 2022 inflation/rate hikes
- Fell -18.9% (19 Feb to 8 April)

**Australia (All Ords):**

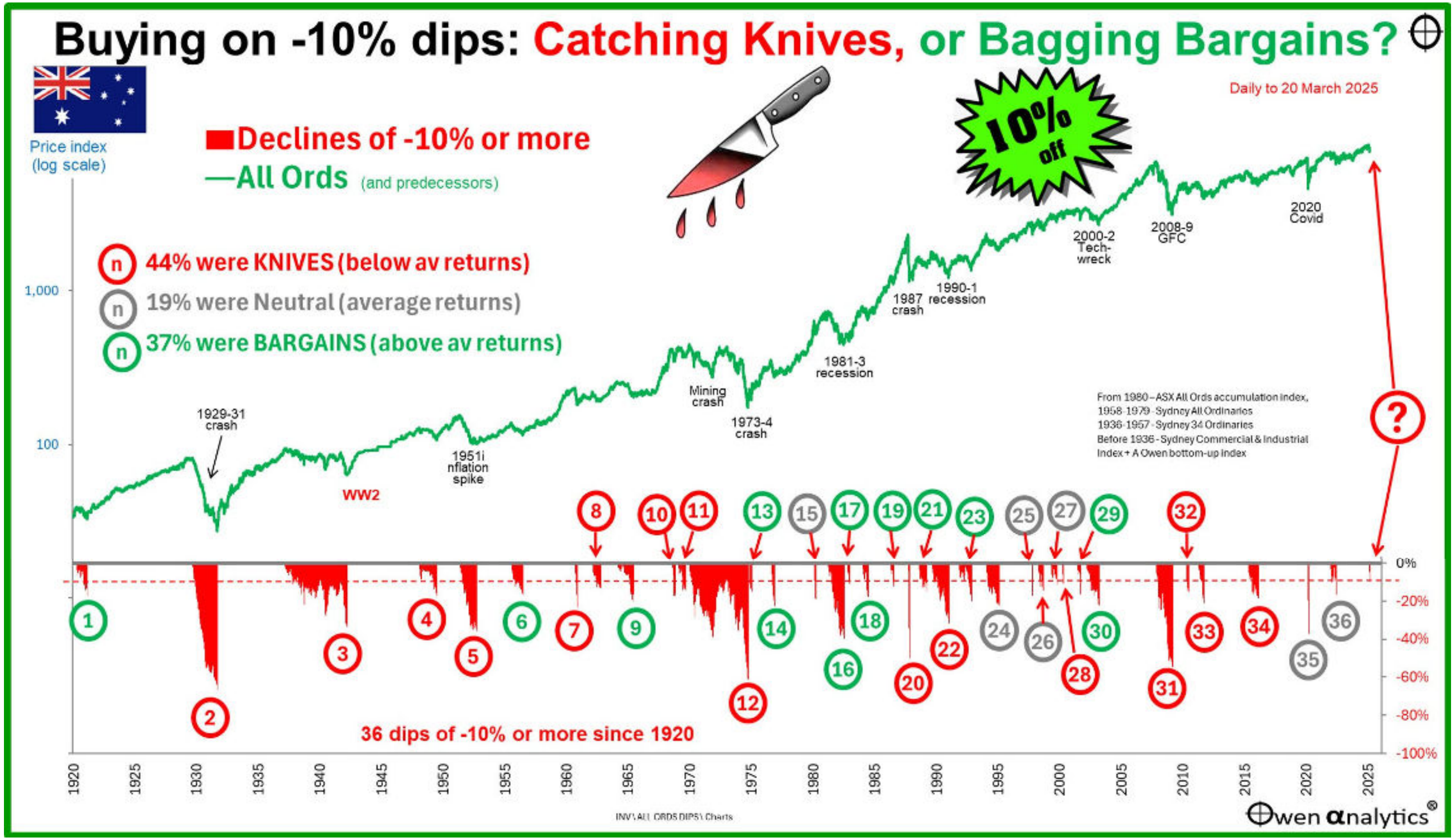
- Fell -37.1% in Feb-March 2020 Covid
- Fell -16.6% in 2022 inflation/rate hikes
- Fell -14.7% in 2025 (17 Feb to 7 April)

**= Not even a small one yet!**

Full story here - [April 2025 snapshot]

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

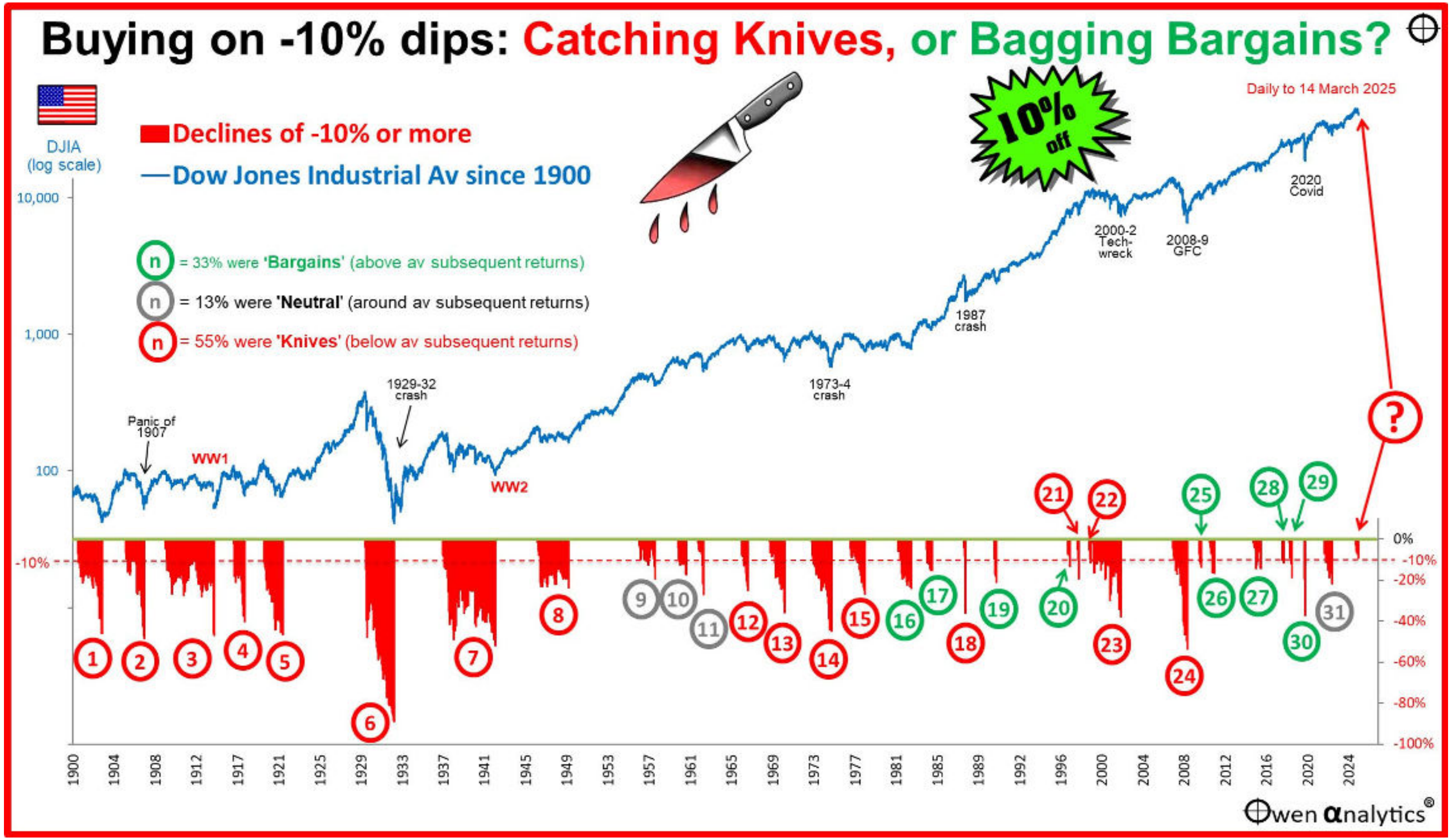
# ASX dips worse than -10%




- Some -10% dips recover quickly
- Others turn into big busts
- The key is PRICING
- Will be driven by US market (as always)

Full story here - [‘Buying the dip?’ – ‘Catching Knives’ or ‘Bagging Bargains’? – the Aussie experience]

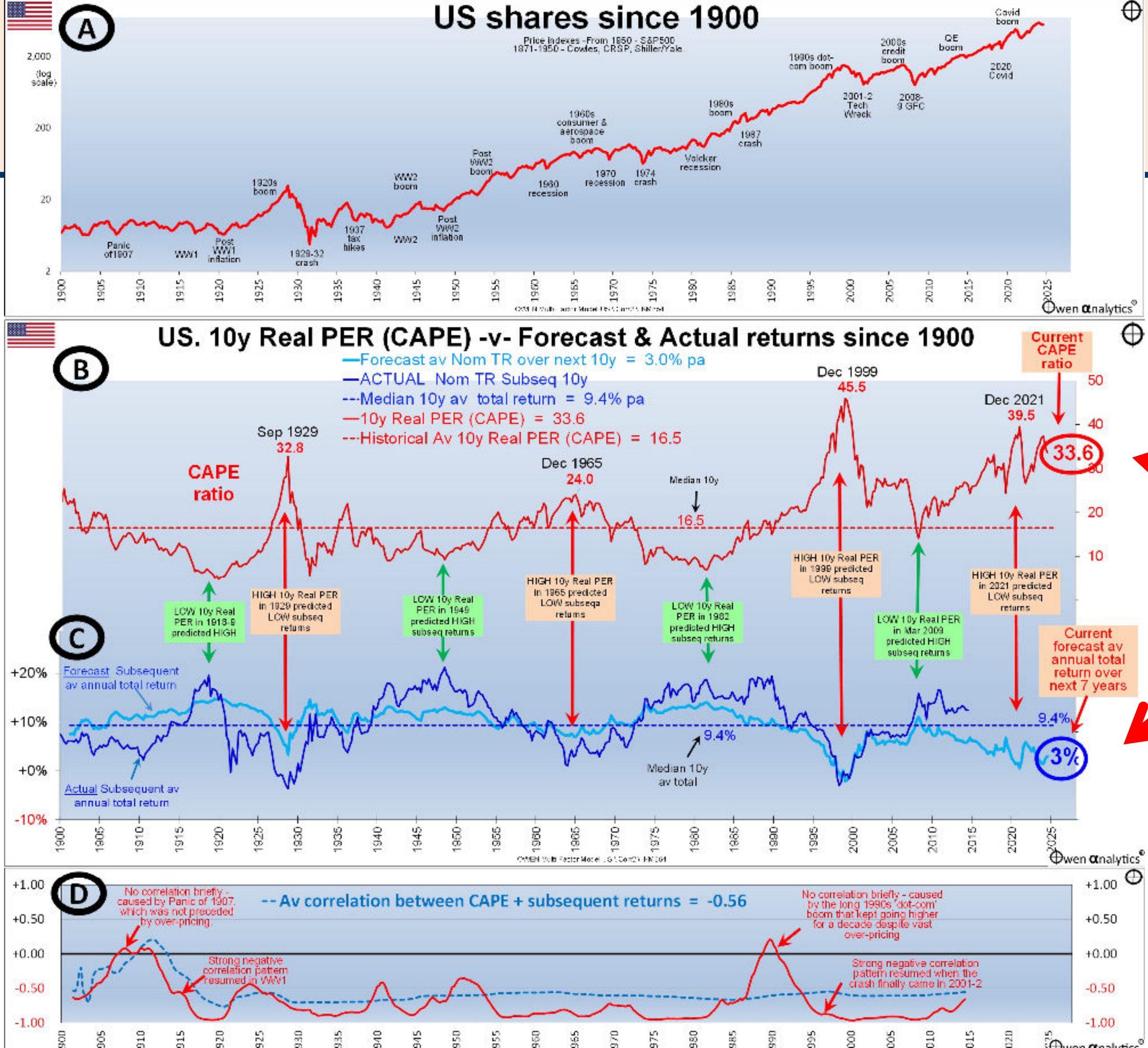
# US dips worse than -10%




- **Some -10% dips recover quickly**
- **Others turn into big busts**
- **The key is PRICING**
- **Current market is very over-priced – heading for a BIG correction**

Full story here - [Should I 'Buy the dip?' - Am I 'Catching Knives' or 'Bagging Bargains'?]

# US market is still vastly over-priced

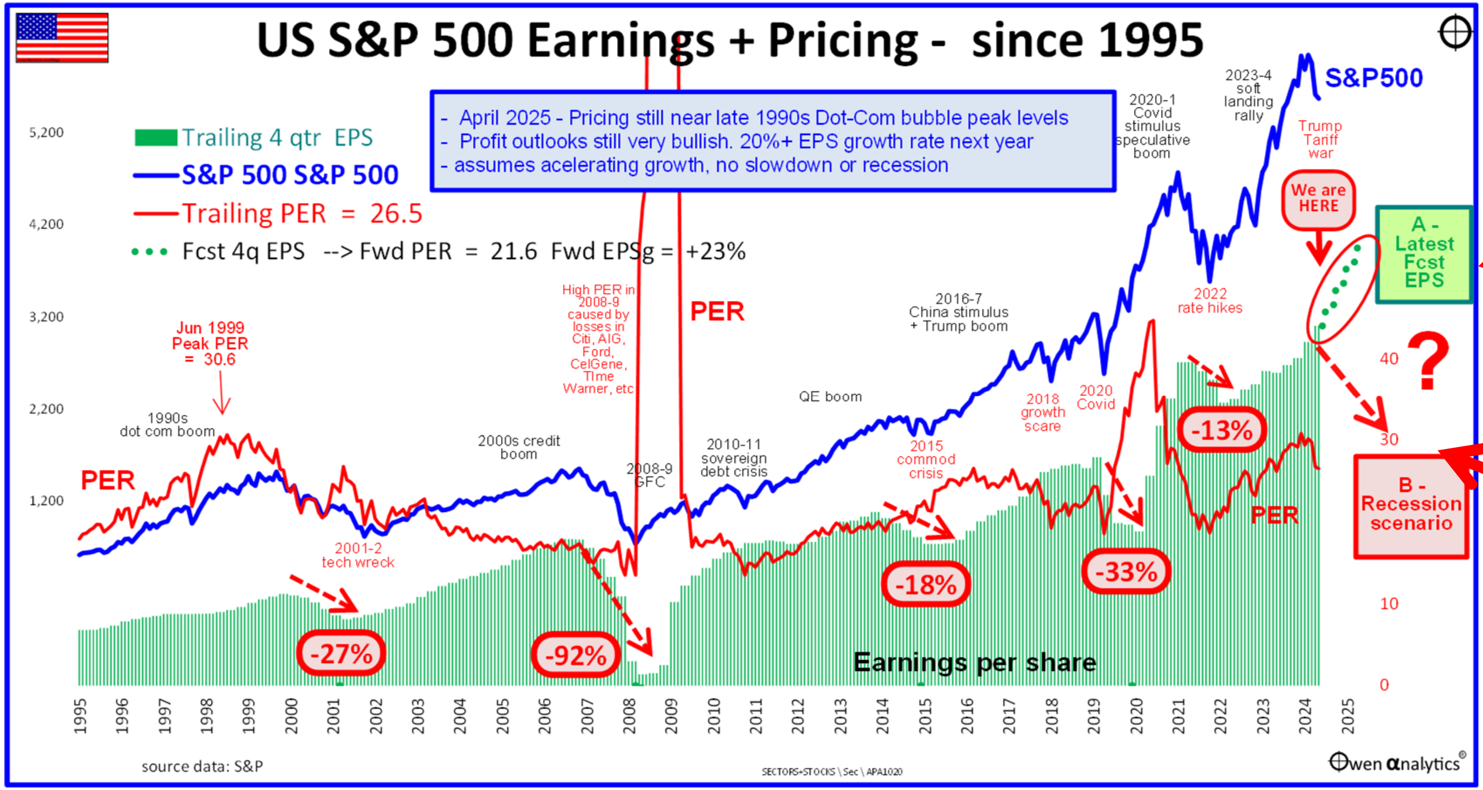



- US market still **very expensive** on fundamentals (trend real earnings)
- Almost certainly well **BELOW average 7-10y returns** from here

Full story here –

[US shares 'CAPE' ratio update after the fall - Still vastly over-priced]

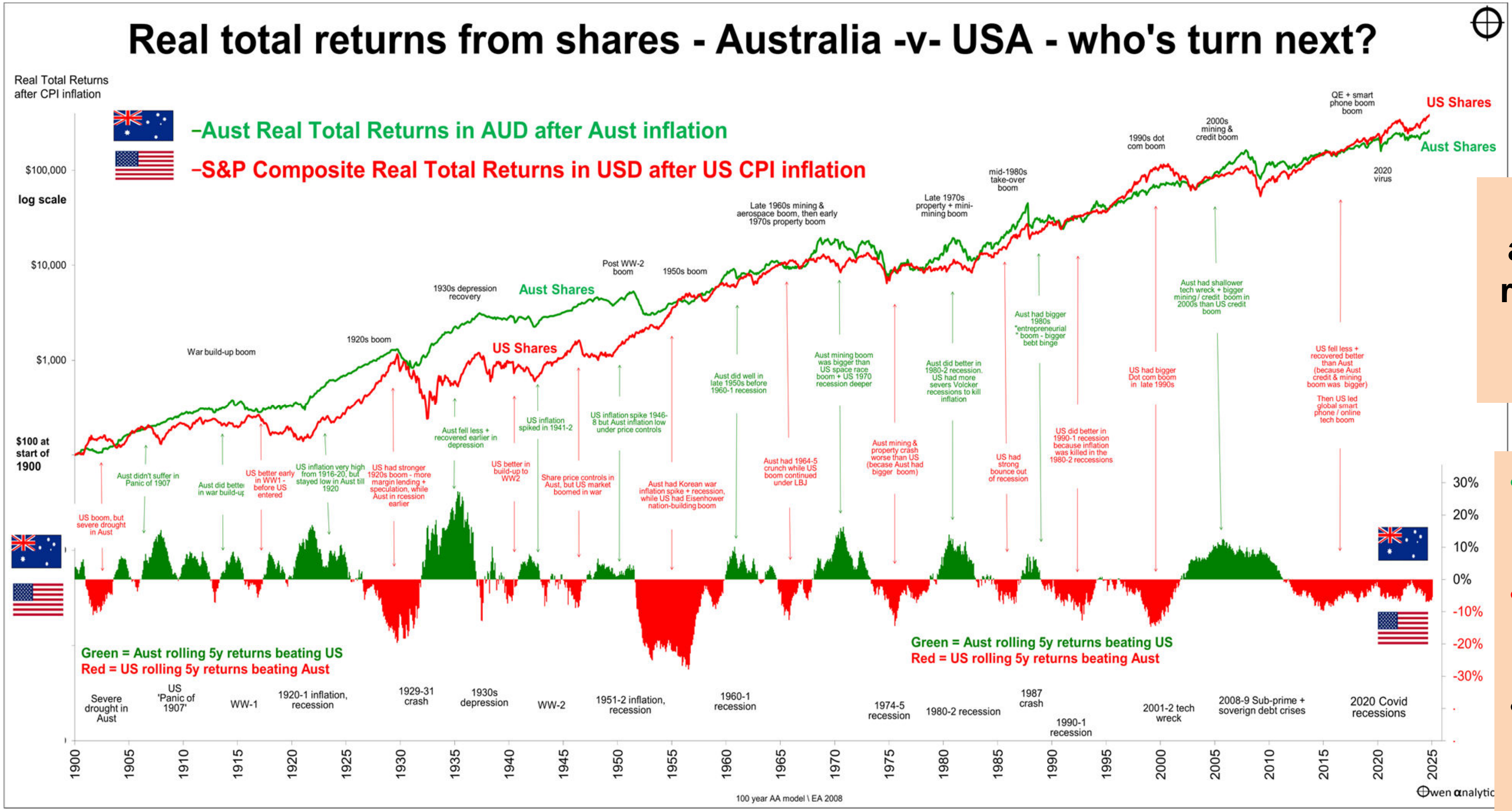
# US earnings outlooks still super-bullish




- US earnings forecasts still ridiculously bullish

- But good chance of **earnings collapse** in Tariff / DOGE induced slowdown

# US -v- Australia




**Both markets: average real total returns of 6.5% pa – but they take turns**

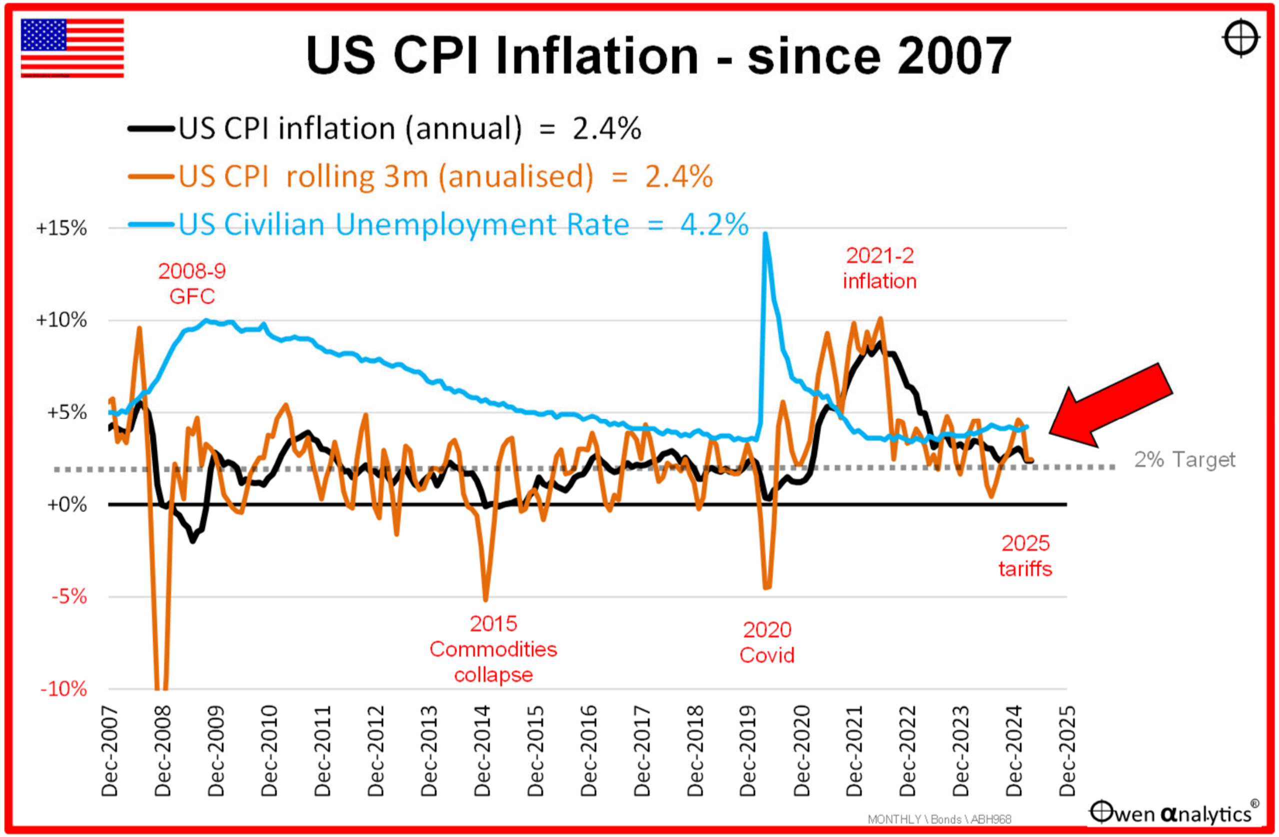
- **US had bigger boom this time**
- **US Will have bigger bust**
- **like 2000-2 tech wreck, 1929-32**

Full story here [- Australia v US share markets – it's our turn next!]

# 3. Inflation & Interest Rates

- Inflation & interest rates – are we there yet?

# US picture



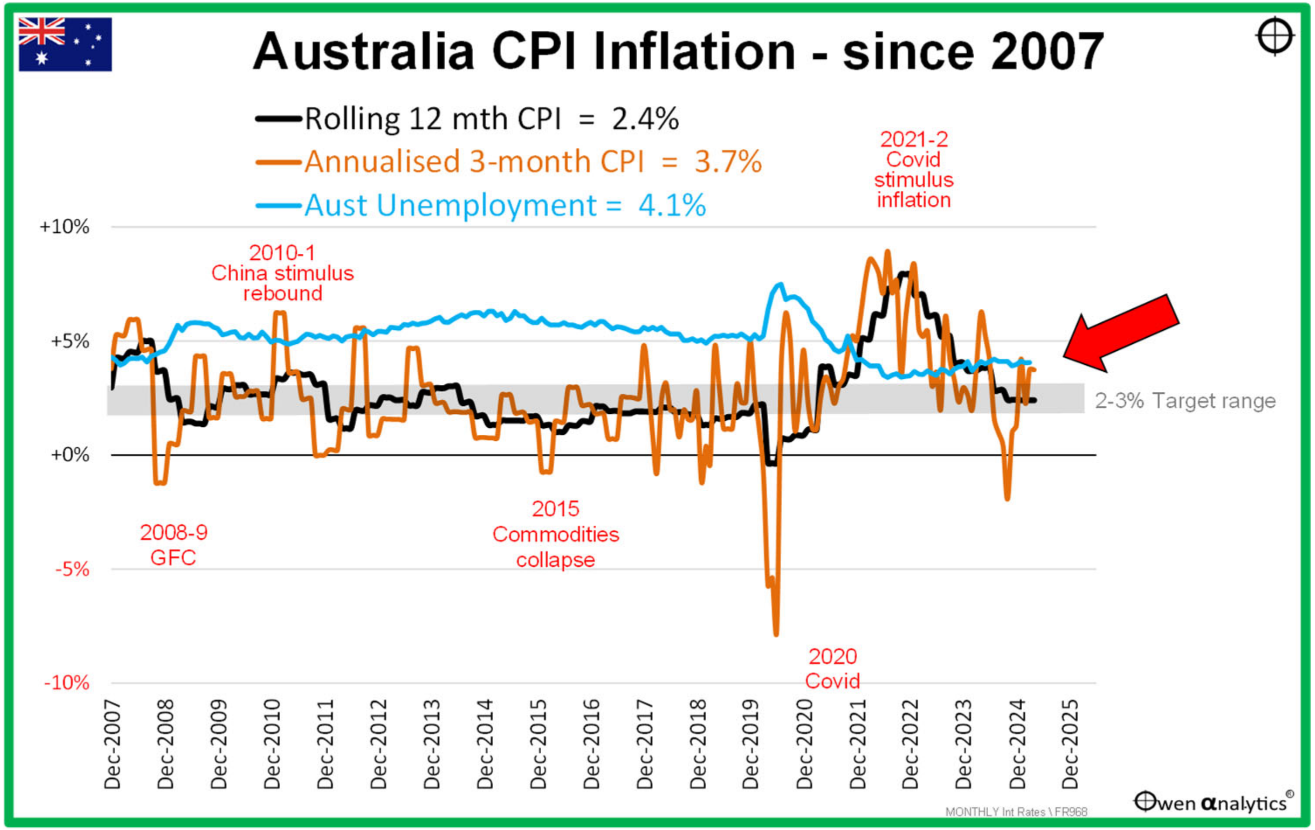

**Before Trump's tariff war:**

- Inflation still too high
- Jobs market still strong
- Fed – no hurry/reason to cut

**Now:**

- GDP contracted in Q1 – surge of imports to beat tariffs
- Bigger contraction likely as spending & investment slows
- + likely job losses accelerate
- Fed would need to cut rates

# Australian picture



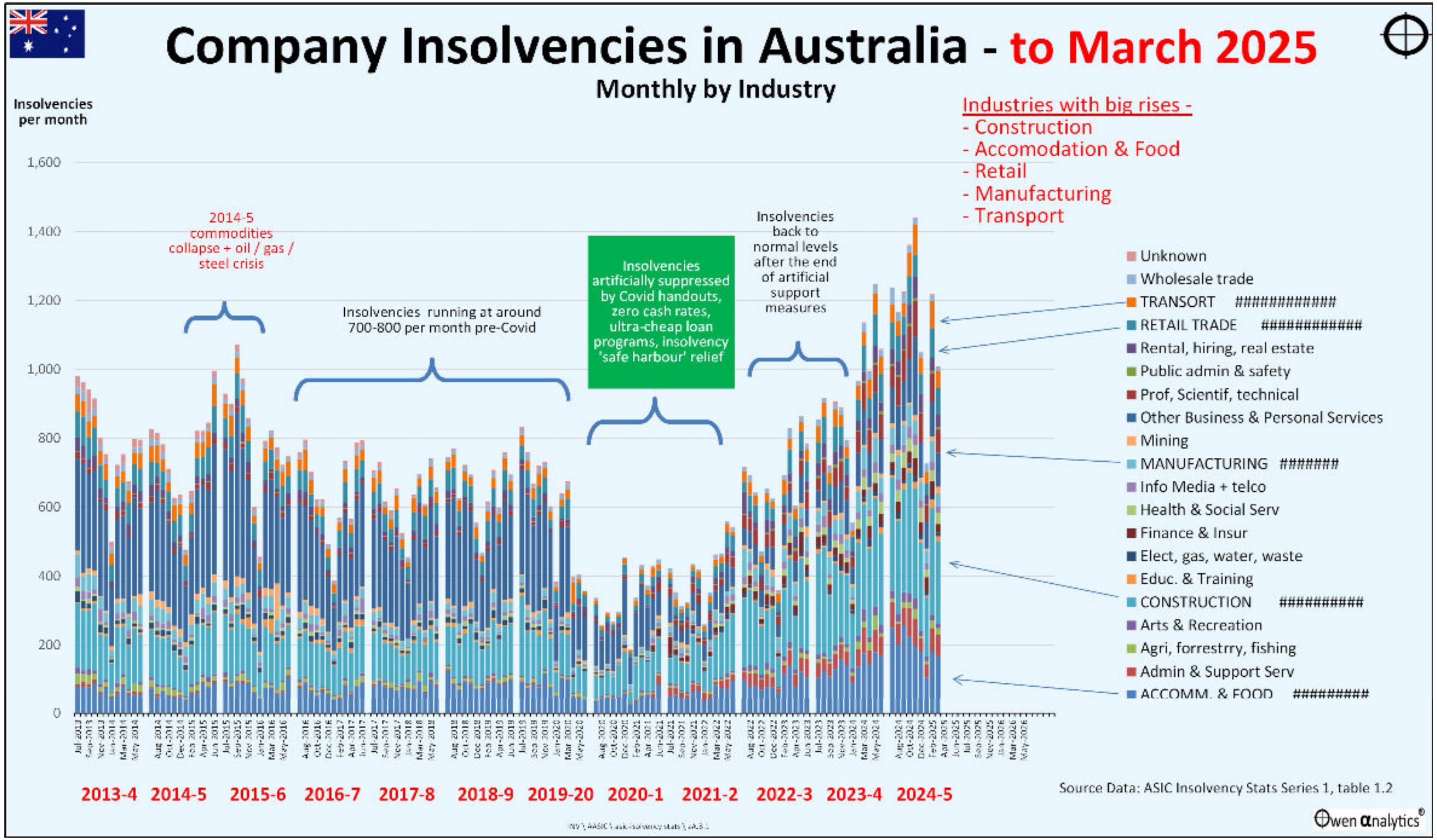

**Before Trump's tariff war:**

- Inflation still too high
- Jobs market still strong (gov)
- RBA – no hurry/reason to cut

**Now:**

- Spending probably slowing – uncertainty
- Commodities exports likely to be supported by China support
- But at lower prices – oversupply
- Rate cuts would boost house prices further + new gov policies adds to demand/prices

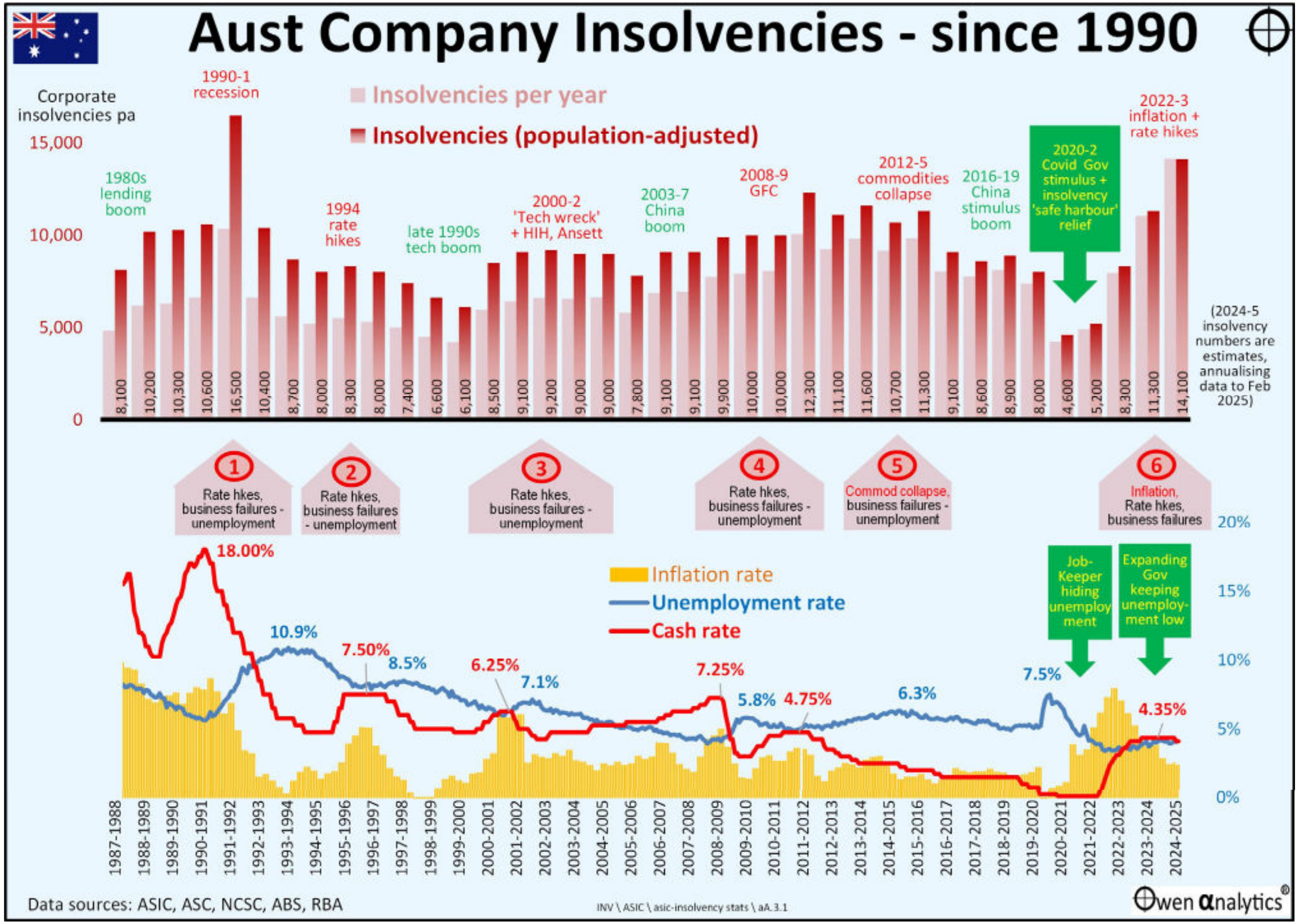
# Insolvencies back above pre-Covid levels




**Company Insolvencies -**

- Worst hit = construction, hospitality, retail
- But mostly small bus
- No big ones with national implications (Ansett, HIH, etc)

# Insolvencies highest since 1990-1 recession




- Numbers higher than 1990-1 recession
- Even adjusted for population – on par with 1990-1
- Will probably rise further as spending slows
- Gov in no fiscal position to throw money around like in Covid
- Will need rate cuts to stimulate

# 4. Trump – what's behind his agenda?

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Trump – what's behind his agenda?

- In the century leading up to 1914 - America grew to be the **largest economic & military power**
  - High **protection** barriers (to encourage local manufacturing, countering British protective policies)
  - **No central bank** (tried twice, shut down twice)
  - **Gold standard**, hard money (apart from fiat 'green backs' to finance the Civil War)
  - **Small central government**
  - Financed via **import tariffs/customs** duties, not income taxes
  - (+ they even had a devastating/destructive Civil War along the way)

- WW1 to 1970s
  - US reluctantly entered wars to stop Europe's wars + Japan's rampage
  - at huge **cost** to US (money + lives)
  - + **financed** the rebuilding of Europe/Japan + paid for their security (to prevent them warring)
  - + **financed** all the international bodies to prevent future wars (UN, IMF, World Bank, etc)
  - **+ paid** for protection for rest of world from Soviet threat

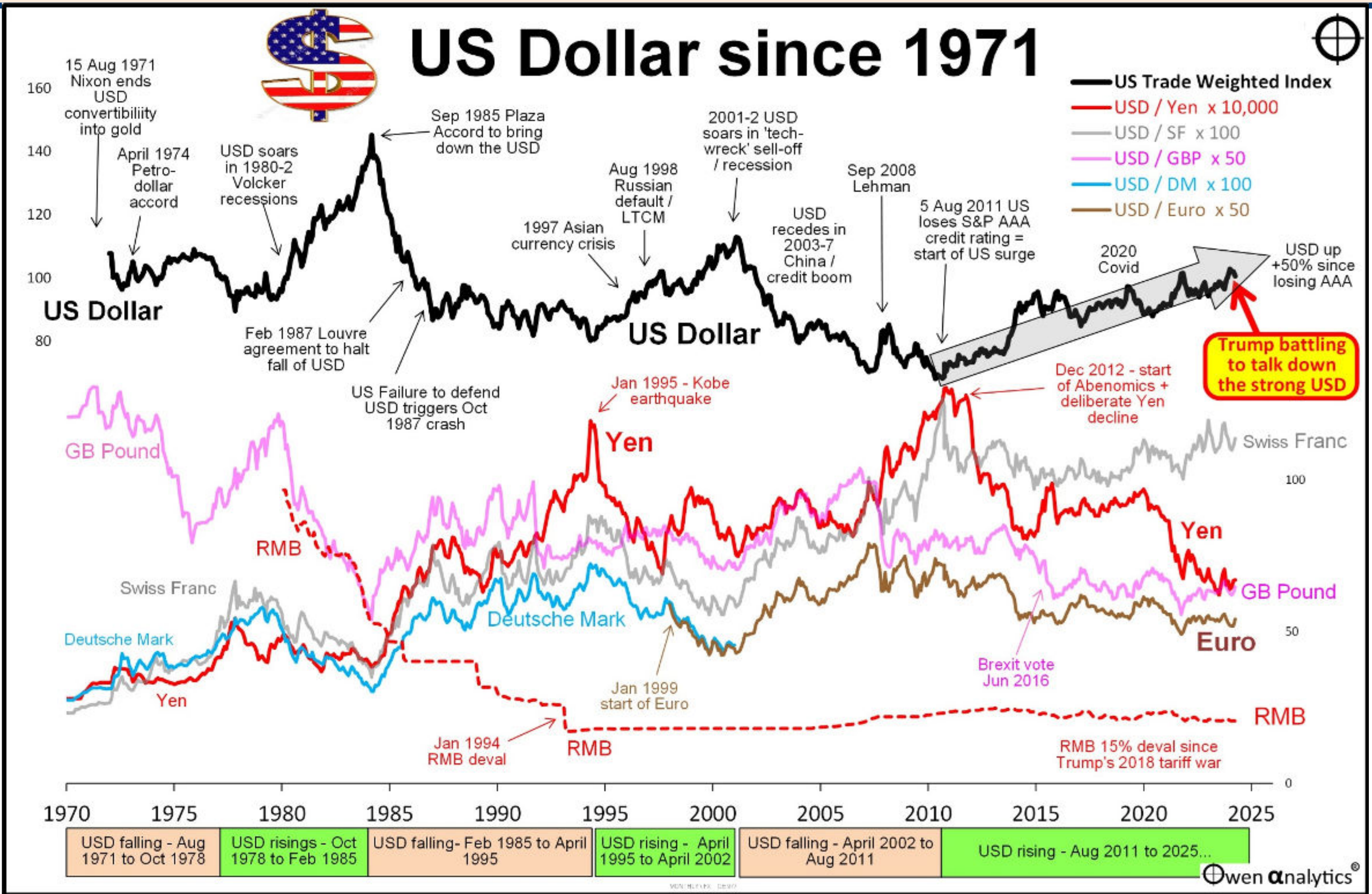
- **Post 1980s Globalisation**
  - Massive rise in US gov size + spending
  - Went from being largest creditor to **largest debtor nation** (creditors = Japan then China)
  - **Out-sourced jobs** to low wage countries (led by US companies)
  - Foreign exporters lent Americans the money to pay for the stuff they imported from them
    - **→ increased US current account deficits + foreign debt**
  - **Strong dollar** (reserve / 'safe haven' currency) → hurts exports + favours exports → trade deficit
  - **Lost critical manufacturing** for self-defence + essential industries
  - But US is <u>still paying</u> for everyone's else's defence/security! (to stop them fighting each other!)

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

- **The vision? Re-create some key conditions that led to America's earlier dominance -**
  - High **protection** barriers → to counter foreign subsidies, state support (esp. China)
  - **? No central bank** → Aim = low interest rates – better for workers, better for the asset rich
    - (from 1942-1952 Treasury instructed Fed to cap rates at 0.375% for bills, 2.5% for bonds)
  - **? Gold standard** (limited supply limits gov money-printing + inflation) → Bitcoin?
  - **Small central government** → fewer functions, de-reg, cut 'waste', self-serving depts, DOGE
  - Cut deficits/debts → reduce size of gov, stop financing other countries' wars/defence, tariff revenues
  - Financed via **import tariffs/customs** duties, not income taxes → cut income taxes
  - Cut Trade/Current A/c Deficit → lower exports (higher tariffs), smaller gov, cut interest cost (cut debt)
  - → Needs to bring down the Dollar without causing panic/crashes

All of that in 4 years?

# End of the US Dollar? Hardly!  Problem is it's too strong!




Full story here –

[**Is the US dollar in decline? or on its 'last legs'? Hardly!**]()

INSTITUTE OF FINANCIAL PROFESSIONALS AUSTRALIA

# Thank you

## Follow us on social media or visit

www.ifpa.com.au

Facebook | Twitter | LinkedIn



Ashley Owen CFA

Owen analytics

Owen Analytics Pty Ltd

ashleyowen@bigpond.com

LinkedIn