

Newsletter

Interest Rates to Drop Tomorrow?

“It’s a done deal” according to a Credit Suisse Group trading in interest rate swaps. Their survey shows that investors forecast a 100 percent chance that the central bank will cut the lending rate from 7.25% to 7% with a one in four chance that the board will lower rates to 6.75% on September 2nd.

The RBA certainly has a tough balancing act to perform. As we all know, consumer spending has slowed dramatically over the past few months. This shows that the past rate increases worked. The government got us to stop spending so much money! This being said, a new report shows that capital spending from business, which was down 2.5% in the first quarter of the year, has risen to an estimated 2%. The increase is primarily concentrated in the mining areas of the country. Hence the big problem. If rates are lowered too much to help the average consumer it also will overheat the economy in the mining sectors of the country. It appears we are experiencing the effects of two vastly different economies in the country.

Even if the Reserve Bank lowers rates on tomorrow, there is no guarantee that all lenders will pass on the full rate cut to consumers. The commentary over the weekend regarding this issue, suggests that most will follow the Reserve Bank’s lead. So far, ANZ and NAB have pledged to pass along at least some of the RBA’s future rate cuts to consumers, whilst Commonwealth and Westpac have not yet pledged to do the same. Put simply if your lender is not passing on the full reduction, then maybe its time to revisit their commitment to you? We should know by the end of the week, who’s going to look after their customers and who’s not!

Property Market Recovery Predicted

The Australian property market is expected to make a recovery before the end of the year. **Strong housing demand, supply shortage and lower interest rates are the key factors expected to fuel a significant recovery in sales towards the end of the year.**

Tim Lawless, National Research Director of RP Data, pointed out that “Australia is currently undergoing a population boom with a population increase of more than 330,000 last year. In raw numbers, Australia’s population growth has never been higher. At a time of record population growth there are simply too few new dwellings being built to house the growing population. Add a shortage of land to the equation and this presents as another constraint.”

He went on to say “This demonstrates that the imbalance between supply and demand will be a fundamental driver placing upwards pressure on Australian property values.”

The Age has already reported a strong increase in clearance rates for weekend auctions in Victoria. “Buyers have reacted positively to speculation about a drop in interest rates by the Reserve Bank, leading to an improvement in the clearance rate,” REIV chief executive Enzo Ramondo said.

Source: The Age – Domain – August 18th 2008
www.rpdata.com/news

eSearch Superior Property Workshop

The first workshop in our Outperform Workshop Series – ‘**eSearch Superior Property**’ has been a great success with every event so far booking out. The feedback from attendees has been excellent - most people surprised at the amount of valuable information out there and how quickly they gain the knowledge needed to make a purchasing decision.

Last month alone, we had two separate workshop attendees, who had no immediate intentions to buy, actually purchased within weeks of attending our workshop. Having armed themselves with this increased knowledge about the fundamentals of buying well, they took this opportunity to take advantage of the current Buyer's Market, caused by higher interest rate. The upcoming rate drop should certainly help turn the market back around and increase demand for housing. Thus, we see this immediate time period as a good window of opportunity to buy.

Our next scheduled workshop is set for Monday 8th September. For more details and to make a booking visit our website www.empowerwealth.com.au – Don't wait until the market changes – Take advantage of the Buyer's Market now!

5 Minute Property Survey

As you are aware **Empower Wealth** is all about educating our clients to ensure they make the best possible property decisions. In light of this we need to keep up to speed with what you are thinking about property, whether buying or selling, so we can ensure our education is topical. Therefore from time to time we are going to ask for your input in a very quick survey, such as this one.

Simply click on the link below and have fun!

http://www.surveymonkey.com/s.aspx?sm=1ZY9GqG_2f8o_2fWlIKhNJ30qQ_3d_3d

Closing Quote & Directors Comment

Quote: Warren Buffet (famous Share Investor)

"If you don't feel comfortable with owning something for 10 years, then don't own it for 10 minutes"

Directors Comment – Ben Kingsley

Warren, like most investors, holds his position for the longer term, riding the lows and the highs, if he believes in the fundamentals of that particular investment.

Property is a longer term investment for two main reasons:

1. High entry and exit costs – Stamp duty, lender and legal fees, real estate agents fees etc.
2. Low liquidity – usually property takes an extended period of time to sell

Anyone thinking of making quick gains in the property market is not technically an investor, but rather speculator. Too often I have met with clients who have bought something off the plan, without having any knowledge or experience in this area, yet they have been bluffed by the selling agents on possible quick gains & returns. Such return must rely totally on strong increases in the market during that holding period. Well as we have seen over the longer term, prices are not always guaranteed to go up every year, so these "speculators" often lose out given they are usually convinced to pay a high purchase price given it looks flashy and its brand new.....

Once again education via research will allow you to understand the fundamentals that drive and determine the value and result of any investment; whether it is property or shares and taking a longer term view on your wealth accumulation strategy will yield better results over time.

Empower Wealth can perform a no-obligation, free review of your finances to assist in providing possible options for you to consider going forward. If you wish for us to perform such a review, please download a Personal Position Statement from our website

<http://www.empowerwealth.com.au/page/82838206> and email the completed form to enquiries@empowerwealth.com.au

Remember, education and knowledge leads to empowerment in anything you do. Investing is no different.

Ben Kingsley & The Empower Wealth Team

