

Summary of August Address

Guest Speaker: Russell Lander accompanied by **Colin Russell** from Ord Minnett.

Subject: “Trends in the Stock Market”.

(Your scribe wishes to preface this summary by advising that the content is intended as an overview of his perspective on the presentation, having regard for some hearing disability, and is not to be construed in any way as investment advice from our Guest Speaker.)

What could have been more timely than to have he who wrote “The Chartist” column in The Bulletin for some 20 years, and is still actively consulting, address us today?

Brian Scanlen’s introduction outlined Russell’s stockbroking career since joining Ord Minnett in 1962 as a trainee analyst.

Throughout, he has maintained an interest in both the Fundamental approach and Technical Analysis, regarding Technical Analysis as a useful tool, particularly in turning markets, in that it gives indications of the likely extent of market moves, brings out the relative strength/weakness and throws up exceptions.

Russell’s presentation gave us an insight into the extent of his charting, with instant access to a comprehensive range of graphs and charts covering stock and market movements over many years.

His opening remarks acknowledged the current bear market across the board world wide, and that the negative sentiment was primarily a result of the sub prime saga in the US and the consequent major bank write-offs. We are now locally in transition from the credit squeeze that has been applying to curb inflation, to a debit squeeze. Local bank write-offs are not as bad as the US, but they are bad. Add to this corporate disasters and property markets around the world being glutted.

Up to early this year, major resource stocks have been ok, but it’s time for a rethink with a downturn in resources such as nickel and zinc. The sub prime saga is affecting banks, property companies and mining companies, with costs going up and certain resource prices going down.

Posing the question, “Where is a safe haven?” Russell commented that with the boom in some resources going off, companies providing services to that sector are also going off. However China and India are continuing to increase as a user of world materials such as iron ore, oil, gas etc with the market expanding dramatically for those materials. We also have engineering skills capable of participating in the huge China/India development phase. He considers it preferable to invest in the major players such as BHP and Rio Tinto rather than the smaller specialised players. Suggests some energy exposure, although not cheap, has great growth potential. On the income side, banks should continue to maintain good dividends.

He commented that recent events had done enormous damage to the reputation of US financial institutions, which would affect costs for US banks currently going to Middle East and Asia for capital.

As to a long-term view of the local stock market?

Like most bear markets, it looks terrible. However the world does not come to an end, and he considers favourably the prospect of a positive move within the next 6 months.

Question time was lively, covering a range of issues such as the role of the ASX and any conflict of interest issues. As to uranium mining prospects – perhaps enter the market through those with offshore mines such as Rio Tinto and Paladin in view of current government policy being unlikely to change in the short term. Queried on his optimism for positive turnaround within 6 months, having regard for some historically long-term stagnation periods, he considers the improvement in technology to be a major factor. He also commented that buying at the top of the market in bad times could result in being well in front in future. On oil, he considers world demand will power on and cannot envisage a significant price contraction before further increase. Our government's environmental policies will also have a significant cost increase effect on companies that use power to create products. Responding as to why high ratings were given to companies now proven to be risky, he mentioned the possibility of fear of loss of fees. Current sentiment is reflected in the downturn in Moody's share value.

With the huge potential for legal action, his final comment – “Don't put your son into share broking, put him into law!”