

Your Life Quarterly Update



Your Life
Financial Services

Summer Edition December 2017

Invest In Your Life

Merry Christmas

Welcome to the Summer edition of Your Life Quarterly Update. In this edition we outline:

Global Market Update
Australian Property Market Update
Holiday Adventures : Fiji
Healthy Habits Corner: 7 Day Detox.



Merry Christmas

We would like to wish you and your family a very Merry Christmas and a prosperous New year for 2018.

We hope you take the opportunity to meet with friends and family over the festive season and also take some time to relax with the ones you love.

Thank you for joining us throughout the year and we look forward to another wonderful year ahead in 2018.

Christmas

"Christmas is a tonic for our souls. It moves us to think of others rather than ourselves. It directs our thoughts to giving".

B. C. Forbes

"Christmas is a season not only of rejoicing but of Reflection".

Winston Churchill

Global Market Update

We have outlined below the major market indices as at 1st of December 2017 and their movement over the past 12 months.

Country	Index	Index 1/12/2017	% change in 12 months
Australia	ASX 200	6004	9.8%
USA	Dow Jones	24305	26.9%
USA Technology	Nasdaq	6844	28.6%
UK	FTSE100	7453	10.0%
Hong Kong	Hang Seng	29253	27.5%
Japan	Nikkei	22958	23.5%

The USA Technology index (NASDAQ) was the best performing index over the past 12 months.

Will Australian House Prices Crash?

- Talk of a property crash is likely to ramp up again with signs that the Sydney and Melbourne property markets are cooling. However the Australian property market is a lot more complicated than the crash calls suggest.

- We continue to expect a 5-10% downswing in Sydney and Melbourne property prices but a crash is unlikely and other capital cities may perform better.

- It remains a time for property investors to exercise caution and focus on higher-yielding markets.

A common narrative on the Australian housing market is that it's in a giant speculative bubble propelled by tax breaks, low interest rates and "liar loans" that have led to massive mortgage stress and that it's all about to go bust.

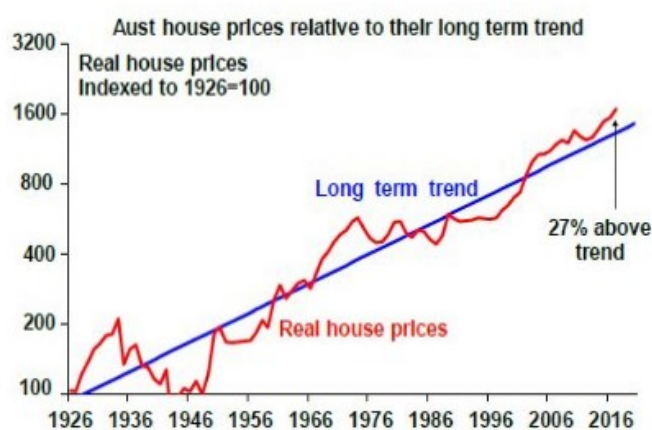
The trouble is we have been hearing the same for years. Calls for a property crash have been pumped out repeatedly since early last decade.

The basic facts on Australian property are well known:

- It's expensive relative to income (rents), over its long-term trend (see the next chart) and by global standards.

- Affordability is poor – price to income ratios are very high and it's a lot harder to save a sufficient deposit.

The surge in prices has seen a surge in debt that has taken our household debt to income ratio to the high end of OECD countries, which exposes Australia to financial instability should households decide to cut their level of debt.



Source: ABS, AMP Capital

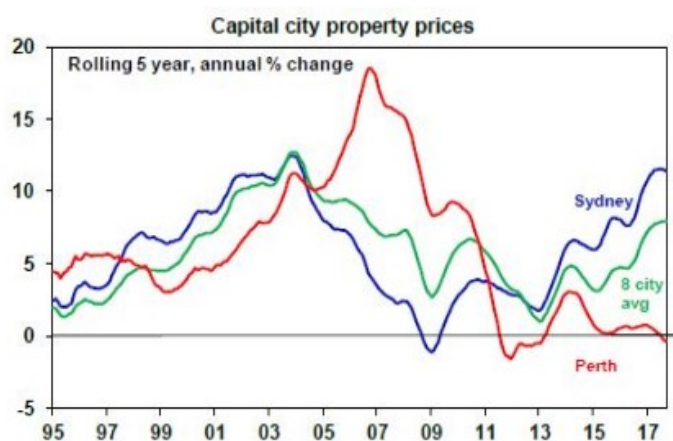


First, it's dangerous to generalise

While it's common to refer to "the Australian property market", only Sydney and Melbourne have seen sustained and rapid price gains in recent years.

On CoreLogic data over the last five years dwelling prices have risen at an average annualised rate of 11.4% per annum (pa) in Sydney and 9.4% pa in Melbourne but prices in Brisbane, Adelaide, Hobart and Canberra have risen by a benign 3 to 5% pa and prices have fallen in Perth and Darwin.

This can be seen in the next chart with Sydney leading the cycle over the last 20 years and Perth lagging.



Source: CoreLogic, AMP Capital

Supply vs Demand

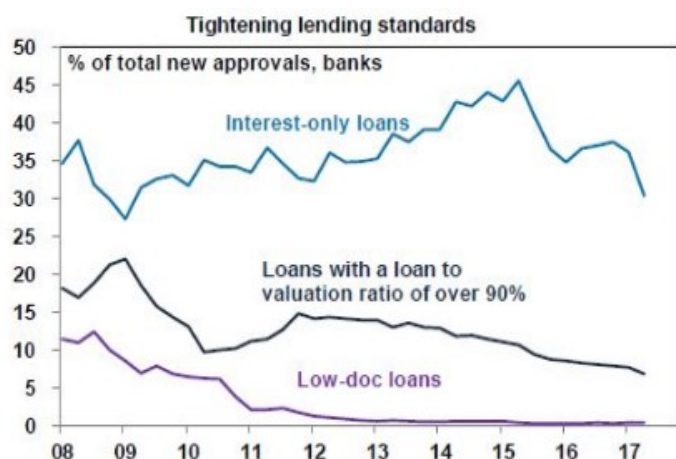
Thanks mostly to an increase in net immigration, population growth since mid-last decade has averaged 368,000 people pa compared to 218,000 pa over the decade to 2005, which requires roughly an extra 55,000 homes per year.

Unfortunately, the supply of dwellings did not keep pace with the surge in population growth so a massive shortfall built up, driving high home prices.

Will Australian House Prices Crash?

Lending Standards have improved

For all the talk about “liar loans”, Australia has not seen anything like the deterioration in lending standards other countries saw prior to the GFC. Interest-only loans had been growing excessively but are not comparable to so-called NINJA (no income, no job, no asset) sub-prime and low-doc loans that surged in the US prior to the GFC.



Source: APRA, AMP Capital

Tax Breaks

A range of additional factors like tax breaks and foreign buyers have played a role but their importance is often exaggerated relative to the supply shortfall.

Conditions for a property crash

To get a housing crash, say a 20% average fall or more, we probably need much higher unemployment, much higher interest rates and/or a big oversupply. Although it's hard to see these in the short term.

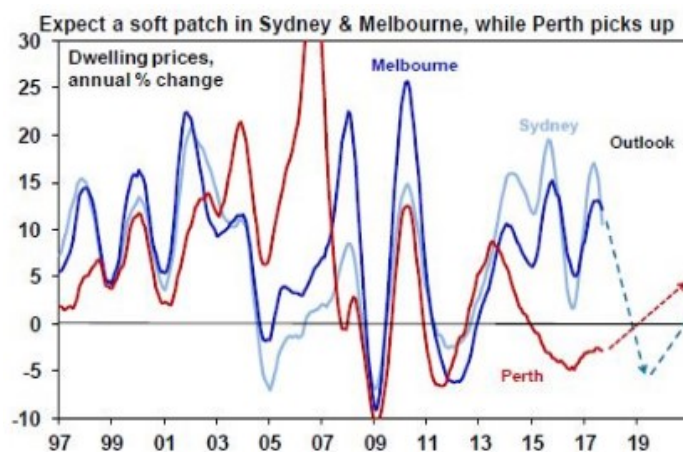
- There is no sign of recession and jobs data remains strong.
- The RBA is likely to start raising interest rates next year, but it knows households are now more sensitive to higher rates. The RBA will move interest rates very gradually (like in the US), and won't hike by more than it needs to, in order to keep inflation on target.

Property oversupply will become a risk if the current construction boom continues for several years, but with approvals to build new homes slowing, this looks unlikely.



So where are we now?

That said, we continue to expect a slowing in the Sydney and Melbourne property markets, with evidence mounting that APRA's measures to slow lending to investors and interest-only buyers (along with other measures, eg to slow foreign buying) are impacting. This is particularly the case in Sydney where price growth has stalled and auction clearance rates have fallen to near 60%. Expect prices to fall 5-10% (maybe less in Melbourne given strong population growth) over the next two years. This is like what occurred around 2005, 2008-09 & 2012.



Source: CoreLogic, AMP Capital

Implications for Investors

Housing has a long-term role to play in investment portfolios, but the combination of the strong gains in the last few years in Sydney and Melbourne, vulnerabilities around high household debt levels as official interest rates eventually start to rise and low net rental yields, mean investors need to be careful. Sydney and Melbourne are least attractive in the short term. Best to focus on those cities and regional areas that have been left behind and where rental yields are higher.

Source : Shane Oliver. Oliver's Insights 11th October 2017

Holiday Adventures : Fiji

What does your dream holiday look like?

Welcome to the exotic Fiji.

Location : Fiji

Fiji presents the tropical island destination of your dreams. Warm, balmy days and nights, crystal clear water, beautiful corals and perfect sandy beaches fringed with coconut palms.

Activities

There are plenty of ways to get out and about from 'mild' to 'wild'. Whether it's a relaxing round of golf, hike in the rainforest or swim, dive or snorkel in any of the wonderful aquatic playgrounds, zip lining or surfing, Fiji has something for everyone.

Food

Lovo : the ubiquitous earth oven cooking with fish, meat and vegetables, particularly the root crops like taro and their leaves, are wrapped and buried in hot coals for a slow-cooked delight.

Must See Attractions

Beyond the cabana and swim-up cocktail bar, there are plenty of activities to see and do. Sigatoka Sand Dunes, Garden of the sleeping giant, Fire walking on Beqa Island, Kava Ceremonies, hike the falls of Taveuni or experience the island via helicopter.

Distance from Sydney : Approx. 4.0 hours

Source: Travel Associates. www.travel-associates.com.au



Detoxing in the New Year

With the festive season around the corner we can sometimes feel a little overwhelmed with all of the delicious food and drink that is consumed.

The purpose of any detox plan is to take the load off the organs that detoxify the body, the liver, kidneys and bowel, while at the same time supporting and improving their performance.

7 Day Detox Plan

- 1. Morning lemon juice:** To kick start the digestion and cleanse the system. Squeeze the juice of half a lemon in a cup of hot water.
- 2. Exercise:** During detox aim to exercise for one hour daily.
- 3. Raw foods:** Aim to cut out the cooking process and eat mainly raw foods. Raw foods contain more nutrients and enzymes.
- 4. Detox the mind:** While you're detoxing the body, it's good to clear the clutter from the mind too. Aim for 15 minutes of meditation per day.

5. Drink water: Aim to drink three litres of fluid daily. This will help move the lymph and support kidney detoxification. Choose from pure spring water, fresh vegetable juice and herbal detox teas.

6. Body brushing: Doing this daily will support circulation and increase skin detoxification. Using a loofah or natural fibre body brush, brush the skin with firm circular strokes before you step into the shower.

7. Chew: Aim to chew each mouthful of food 10 to 12 times before swallowing.

Source : <http://www.bodyandsoul.com.au/diet/diets/the-7day-detox-plan>
The 7 day detox plan—Mim Beim.



DETOX

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