Miners, tech drag bourse lower

EQUITIES

MEGAN NEIL

Mining heavyweights and tech stocks dragged the stockmarket lower on Tuesday, as traders pushed back the timing of interest rate cuts by the Reserve Bank.

The RBA board left the cash rate unchanged at 4.35 per cent on Tuesday, as widely expected, and governor Michele Bullock said the central bank was not ruling out rate hikes or cuts as it focused on bringing inflation down.

The RBA's comments had a minimal impact on stocks, with the S&P/ASX 200 index having already trimmed its early losses of 1.1 per cent. The benchmark index ended 0.6 per cent weaker at 7581.6 points, its lowest close in almost two weeks.

The broader All Ordinaries index also fell 0.6 per cent, to 7808.9 points.

Money market traders pushed back the timing of the RBA's first rate cut until September, with CommSec senior economist Ryan Felsman noting they also pared back their rate cut bets.

"A move in June was now put at a probability of 36 per cent, with August at 76 per cent. A quarter point cut was not fully priced in until September," he said.

"Futures also imply only a modest 40 basis points for the year, down from 46 basis points before the RBA announcement."

The S&P/ASX 200 declines followed falls on Wall Street as Federal Reserve chair Jerome Powell dashed hopes of early rate cuts, with the Dow Jones Industrial Average down 0.7 per cent and benchmark S&P 500 off 0.3 per cent. US Treasury yields soared for a second day.

After hitting an 11-week low of US64.69c in the overnight session, the Australian dollar jumped following the RBA announcement to end local trading 0.4 per cent higher at US65.1c.

"CBA group economists are sticking with the view that the economy will continue to slow, and that inflation will continue to fall, opening the door to rate cuts in September," Mr Felsman said.

"Overall, other economists share the view that the next rate move is a cut, but differ on the timing," Mr Felsman said. Australian shares were pressured by a 1.1 per cent fall in mining shares after iron ore prices fell to the lowest level since November.

Market and mining heavyweight **BHP** lost 1.1 per cent to $45.96, **Fortescue** dropped 2.9 per cent to $28.05 and **Rio Tinto** eased 0.6 per cent to $128.41.

The interest rate-sensitive tech sector declined 1.8 per cent, with **WiseTech** falling 3.9 per cent to $72.92 and **Xero** off 2.8 per cent to $108.34.

Cochlear fell 6.8 per cent to $287.29 following a broker downgrade by UBS, although fellow healthcare giant **CSL** lifted 0.6 per cent to $301.96.

Nick Scali soared 16.6 per cent to $14 after the furniture retailer reported stronger-than-expected interim results, despite a 29 per cent profit decline.

Myer jumped 14.3 per cent to 76c as its first-half trading update, which showed a fall in sales and profits, was not as bad as some investors feared.

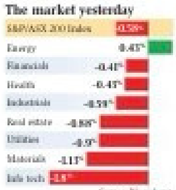
ANZ advanced 0.8 per cent to $27.43 but the other major banks were weaker.

CBA fell 1 per cent to $114.37 as JPMorgan said its recent record high valuation was "impossible to justify", **NAB** dropped 0.4 per cent to $32.20 and **Westpac** eased 0.1 per cent to $24.15.

Magellan Financial Group rose 1.3 per cent to $9.06.

Energy major **Woodside** rose 0.8 per cent to $32.29.

The market yesterday



Source: Bloomberg

Protecting the Bank of Mum and Dad

ANTHONY KEANE
PERSONAL FINANCE WRITER

A boom in money from the Bank of Mum and Dad is sparking concerns about protecting assets if the adult children's relationships break down.

Finance specialists say several strategies can help keep wealth in-house rather than going to a non-family member.

Amid the biggest wealth transfer in Australian history, spouses can be entitled to half their partner's property if they split – even if the parents partly paid for it.

Asset protection strategies for the Bank of Mum and Dad include legally documented loans rather than gifts, sharing ownership and seeking quality legal advice.

Real estate buyers agent Michelle May said trillions of dollars of assets would be handed over from parents by 2050 and this represented "a lifeline for countless Australians aspiring to home ownership".

"Research from the Australian Housing and Research Institute found that 40 per cent of 25-34 year olds surveyed expect their parents to step in to help them achieve home ownership," she said.

Parents were worried, particularly about less formal partnerships such as de facto relationships, Ms May said.

"Many parents don't want their gift to be harmed if the relationship goes sour between their child and their partner since there's a good chance the gift will be split between them," she said.

"The amount is usually thousands and thousands of dollars, which means the stakes are very high indeed."

Ms May said parents should have honest and open discussions with their children about financial help, obtain legal advice, examine having multiple legal owners of a property, or even consider holding property and money in trust for grandchildren.

"It's worth investing time and money into an experienced solicitor who will be able to give them iron-clad advice on how to safeguard any monetary help from the parents," she said.

Australian Family Lawyers principal lawyer Barry Frakes said it was "only natural that parents worry their significant financial help may end up going to their child's ex".

Mr Frakes said parents should decide from the outset whether money for their child's housing was a gift or a loan.

"You can't switch from it being a gift all of a sudden when things go bad and you want it to be a loan and you want the money back," he said.

Parents could opt for part-ownership of a child's property, Mr Frakes said. "You have the benefit of being better than a secured creditor by being an owner," he said.

"Remember you may incur land tax and you will have to be party to any mortgage agreement if the children who own the other half need to borrow their share of the purchase price."

People should never rely on handshake agreements, even with family, and all parties should get independent legal advice long before attending an auction, Mr Frakes said.

"You may intend to make it a loan, but if the loan is not fair and they didn't get advice then, against your original intention, the loan might become a gift."

Mr Frakes said wills were vital, and some families used family trusts to hold property assets.

MBA Financial Strategists director Mark Borg said simply gifting a deposit could expose parents' money to "unintended recipients" if a relationship broke down.

Any loans should be documented to note repayments and agreed interest rates, he said.

Joint ownership structures came in different forms, so clear agreements and exit strategies were needed, Mr Borg said.

He said parents could become guarantors for their children's loans.

"This could expose the guarantor's other assets if neither party can repay the debt," he said.

Albanese urged to clean up aviation

ROSIE LEWIS

Anthony Albanese is facing urgent calls to decarbonise the aviation industry by investing in sustainable fuel, with a leading tourism body warning Australians will pay more to travel overseas without new commonwealth funding.

After presenting Treasury with the Tourism and Transport Forum's pre-budget submission, chief executive Margy Osmond said the government must commit to a minimum of $300m over the forward estimates to help Australia produce its own sustainable aviation fuel and develop a local industry.

"Popular holiday spots like Japan and the UK will require 10 per cent sustainable aviation fuel for flights arriving at their airports from 2030. If Australian airlines don't have enough SAF to meet those mandates, we could see penalties passed onto passengers through higher airfares," Ms Osmond said.

"The federal government needs to act now. The entire industry agrees we need significant funding in the budget to support the development of a domestic SAF industry, without delay. Producing our own SAF would also benefit our farmers who provide the feedstocks, and create up to 15,600 jobs by 2050, contributing more than $7bn a year to the economy."

Airlines have set a target of net zero carbon emissions by 2050 through initiatives such as SAF, electrification, green hydrogen and offsets.

Tallow (animal fat) and canola oil can be used in SAF but huge amounts in Australia are shipped offshore because of other governments' incentives.

The Australian Renewable Energy Agency last year announced a $30m grants process to support the development of domestic SAF production from agricultural feedstocks.

Ms Osmond said Canada, Britain and US had already committed to hundreds of millions of dollars of investment in sustainable aviation fuel.

Britain also planned to build at least five commercial SAF plants by 2025 but, so far, Australia had none.

The TTF's pre-budget submission also recommends reversing the government's 2023 budget decision to increase the passenger movement charge from $60 to $70, which is due to take effect from July.

All passengers leaving Australia by air or sea must pay the tax, which is expected to raise $520m over three years.

Noting tourism was one of the hardest hit industries in the Covid-19 pandemic, the peak body wants a five-year freeze on the charge and transparency over what the raised taxes are spent on.

"We understand that the extra revenue will be reinvested back into the Department of Home Affairs but it's vital this funding goes into industry related activities," the pre-budget submission states. "These factors create barriers for travel and impact the tourism industry when the federal government should be looking to support the sector as much as possible."

A new survey of 1000 Australians conducted by Pure Profile for the TTF earlier this week found 86 per cent of respondents supported the development of a local SAF industry but 77 per cent had not heard of the term "sustainable aviation fuel".

Don't bet on quick rate cuts, warns CFS

Continued from Page 15

remains very robust and inflation is not coming down at a rate that would give the Fed a lot of comfort to start reducing rates. I think they are very much going to err on the side of caution.

"There is also the interesting personal dynamic of the chair of the Federal Reserve being concerned about his legacy and not wanting to be the central bank governor who has overseen a very sustained period of inflation, starts cutting rates and then inflation comes back again."

He said inflation in Europe was still an issue, driven by high energy prices, and the outlook for inflation globally was volatile.

Mr Armitage was speaking on the release of the annual results for Colonial First State, which manages $140bn for some 913,000 clients. Its key funds have all performed strongly on the back of gains in global and local equity markets.

CFS's FirstChoice Employer Super balanced fund (MySuper Lifestage 1965-69) produced a return of 11.8 per cent, and its FirstChoice Employer Super growth fund (MySuper Lifestage 1975-79) saw a 13.2 per cent return.

The CFS Enhanced Index balanced fund reported a 11.6 per cent return and the Enhanced Index growth fund delivered 12.5 per cent return.

Its Thrive+ sustainable growth fund delivered a 15.1 per cent return, which Mr Armitage said was evidence that sustainable investing could produce strong returns.

The figures place CFS among the highest performing super funds in 2023, outperforming the median balanced and growth fund returns as reported by Super Ratings and Chant West.

"We are delighted to have delivered double-digit returns for our members," said Kelly Power, chief executive of Colonial First State Superannuation.

"These results have seen CFS outperform median returns across the industry."

Mr Armitage said the returns were driven by factors including a strong performance in global and domestic equities. "Delivering double-digit returns is a good outcome given the significant market uncertainty in 2023," he said.

"Good equity market returns and a higher allocation to global shares were among the drivers of this result.

"We believe that inflation data will continue to be volatile in 2024, so diversification and active risk management will be critical components of portfolio construction in the year ahead. We continue to see valuation discrepancies across unlisted assets and will be looking to capitalise on those opportunities."

Mr Armitage said the Thrive+ fund had a particularly strong performance over the year, "demonstrating that a sustainable growth fund can deliver compelling returns for investors while also making a positive contribution to the environment".

He said the fund has partnered with a number of global equity managers focused on sustainable investing.

They included Generation Investment, whose founders in 2004 included former US vice president Al Gore, who is visiting Australia this week.

Mr Armitage said 2024 would see elections in several key countries, including the US. This could see new governments making changes to economic policies, including those around the energy transition. "There may be some uncertainty (around these policies) but out of that uncertainty is always investment opportunities," he said. "There may well be some short-term setbacks in certain investment markets but there will be opportunities which emerge and we will be working with our partners to try to take advantage of them."

JANE DEMPSTER

Colonial First State chief investment officer Jonathan Armitage says rate forecasts have been overly optimistic

Reserve Bank won't be rushed into rapid falls

Continued from Page 15

Despite the lower than expected core inflation of 4.2 per cent for the December quarter, the RBA's revised forecasts still show core inflation only just falling below the top of the 2-3 per cent band to a slightly lowered 2.8 per cent by the end of 2025.

As usual the forecasts are conditioned on a path for the cash rate broadly in line with expectations derived from surveys of professional economists and financial market pricing.

The cash rate is assumed to remain around its current level of 4.35 per cent until the middle of 2024 before declining to around 3.2 per cent by the middle of 2026.

With inflation forecast to hit the middle of the band by mid-2026, if productivity improves as expected and assuming mid-2026 is considered to be a "reasonable timeframe", perhaps the best guess for interest rates is 115 basis points of cuts from mid-2024 to mid-2026 assumed by the RBA.

But while inflation is coming down, CBA's Mr Aird said the RBA would be in no hurry to declare victory.

"The RBA will likely wish to keep the tightening bias for a little longer for their communication strategy," he said. The governor and deputy governor do not just communicate with market participants. They communicate with households, businesses and policymakers.

"Maintaining a tightening bias signals to the fiscal authorities that it's too early to declare the inflation fight over. The RBA would not wish to see fiscal settings loosened until further progress on inflation has been made towards the target band."

Still, he says it will take more than just weak growth for the RBA to cut rates. "The unemployment rate will likely need to rise a little more quickly than the RBA anticipates and inflation will need to fall a little faster," he said. "We expect both of those outcomes to transpire and we remain comfortable with our base case."

PwC facing class action as partners hit back

Continued from Page 15

revealed. The Tax Practitioners Board banned PwC's former head of international tax, Peter Collins, in late 2022 before revealing the move early last year, after finding he shared confidential government documents within the firm. PwC then created several new tax structures for clients ahead of the 2016 introduction of the Multinational Anti-Avoidance Law.

PwC has assembled a list of 63 current and former staff and partners believed to be linked to the tax scandal.

But a review by global law firm Linklaters cleared the firm's overseas partners of potentially using the internal government information, but noted six "should have raised questions as to whether the information was confidential".

In the wake of the public revelations PwC dumped chief executive Tom Seymour, who formerly ran the firm's tax practice, after telling partners he had been among dozens of partners who received emails related to the confidential government documents.

A review into the scandal singled out Mr Seymour and the firm's then head of strategy, risk, and reputation, Sean Gregory, as two figures within the firm with knowledge of the breaches.

Mr Seymour left the top job in May last year, with plans to stay on until September before retiring from the partnership.

But Mr Seymour was instead removed from the partnership in July, along with eight other veteran PwC partners allegedly linked to the tax scandal, including Mr Collins, denying the men access to the firm's generous retirement benefits scheme.

PwC has also named a number of former partners it claimed to be linked to the tax scandal, including Mr Collins, Neil Fuller, Michael Bersten and Paul McNab, stripping the men of their retirement benefits.

Mr Fuller and PwC agreed to a secret peace deal late last year after the former partner and "rover", who pitched the firm's tax schemes to major companies and retired in 2019, took action against the firm over its move to strip him of his benefits.

Richard Gregg succeeded in stopping PwC removing him from the firm in August last year, after the NSW Supreme Court found the firm failed to articulate why he was being removed. Mr Gregg is weighing further action against PwC, after the firm stood him down in July last year.

Former PwC tax partner Paul McNab also recently lodged court action against PwC, claiming the firm wrongly denied him access to its retirement plan.

Monetary policy must remain prudent: OECD

JACK BARNETT

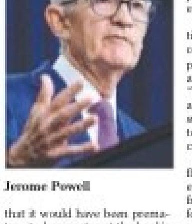
Interest rates globally must remain high over the next year to ensure that inflation is defeated, the Organisation for Economic Co-operation and Development says.

Central banks should cut rates cautiously to ensure that expectations for future inflation "remain well anchored", the OECD said, in contrast to market expectations for a round of substantial monetary loosening from the world's top central banks.

In forecasts for the global economy, the organisation said that Britain would have the highest inflation among the G7 developed countries this year and next, and the fourth-worst rate of growth in the G20 this year.

Huw Pill, the Bank of England's chief economist, said that if the British economy developed in line with the central bank's forecasts, it would be a question of "when rather than if" the monetary policy committee cut interest rates.

He said the outlook for monetary policy had shifted and rates would be able to fall with inflation. However, he stressed that underlying components of inflation, including services prices and wages, remained high, adding that it would have been premature to lower rates at the bank's meeting last week. The monetary policy committee voted to hold borrowing costs at 5.25 per cent.



Jerome Powell

The OECD said: "Monetary policy needs to remain prudent to ensure that underlying inflationary pressures are durably contained.

"Scope exists to lower policy interest rates as inflation declines, but the policy stance should remain restrictive in most major economies for some time to come."

The pound was on course for its worst two-day losing streak against the US dollar in nearly a year at $US1.25, after comments from Jerome Powell, chairman of the US Federal Reserve, that the US central bank would loosen policy slower than markets expected.

The OECD said that disruption to trade flows as a result of conflict in the Middle East could push up shipping costs sharply and raise the price of oil and gas. "This would harm growth and add directly to inflation pressures, and could potentially lead to a flight to safety in global financial markets," it said.

The organisation said that inflation across the G20 would average 6.6 per cent in 2024, up from 5.8 per cent in its November forecasts, and was set to remain well above the common 2 per cent target in 2025 at 3.8 per cent. However, excluding Turkey and Argentina, which have suffered from severe price rises, inflation would average 2.6 per cent this year and 2.4 per cent next.

Global growth is on course to reach 2.9 per cent this year, an upward revision of 0.2 percentage points from November, and 3 per cent next year.

The stronger growth outlook has been driven by a sharp upgrade to the OECD's US growth projection of 0.6 percentage points to 2.1 per cent.

THE TIMES

BP sticking to strategy as profit climbs to $23bn

British energy giant BP has rebounded into vast profit in 2023, after slumping into a loss the prior year on its exit from Russia following Moscow's Ukraine invasion.

Profit after taxation rocketed to $US15.2bn ($23bn) last year from a net loss of $US2.5bn in 2022, when it had taken a gigantic charge of $US24bn on its exit from Russian energy group Rosneft. However, underlying profit excluding exceptional items halved to $US13.8bn on lower refining margins and oil prices, BP added in a results statement.

That compared with a record $US27.7bn the prior year, when prices of fossil fuels had surged on key energy producer Russia's assault on Ukraine, boosting the global sector.

The annual results statement comes after it named veteran employee Murray Auchincloss as chief executive, following a period as interim boss after predecessor Bernard Looney's sacking.

Mr Auchincloss, the former chief financial officer, took the reins in September after Mr Looney resigned and was later officially sacked over his failure to disclose past relationships with colleagues.

"Looking back, 2023 was a year of strong operational performance with real momentum in delivery right across the business," Mr Auchincloss said in the earnings release.

The London-listed titan also pleased investors on Tuesday with the announcement of huge share buybacks and the ramping up of its shareholder dividend.

BP will deliver $US1.75bn in buybacks for the fourth quarter of last year – and it also revealed another $US3.5bn for the first half under plans to buy back at least $US14bn by 2025.

While some critics have labelled BP's plan as "irrational", it said it remained committed to its energy transition strategy.

AFP

Protecting the Bank of Mum and Dad

ANTHONY KEANE
PERSONAL FINANCE WRITER

A boom in money from the Bank of Mum and Dad is sparking concerns about protecting assets if the adult children's relationships break down.

Finance specialists say several strategies can help keep wealth in-house rather than going to a non-family member.

Amid the biggest wealth transfer in Australian history, spouses can be entitled to half their partner's property if they split – even if the parents partly paid for it.

Asset protection strategies for the Bank of Mum and Dad include legally documented loans rather than gifts, sharing ownership and seeking quality legal advice.

Real estate buyers agent Michelle May said trillions of dollars of assets would be handed over from parents by 2050 and this represented "a lifeline for countless Australians aspiring to home ownership".

"Research from the Australian Housing and Research Institute found that 40 per cent of 25-34 year olds surveyed expect their parents to step in to help them achieve home ownership," she said.

Parents were worried, particularly about less formal partnerships such as de facto relationships, Ms May said.

"Many parents don't want their gift to be harmed if the relationship goes sour between their child and their partner since there's a good chance the gift will be split between them," she said.

"The amount is usually thousands and thousands of dollars, which means the stakes are very high indeed."

Ms May said parents should have honest and open discussions with their children about financial help, obtain legal advice, examine having multiple legal owners of a property, or even consider holding property and money in trust for grandchildren.

"It's worth investing time and money into an experienced solicitor who will be able to give them iron-clad advice on how to safeguard any monetary help from the parents," she said.

Australian Family Lawyers principal lawyer Barry Frakes said it was "only natural that parents worry their significant financial help may end up going to their child's ex".

Mr Frakes said parents should decide from the outset whether money for their child's housing was a gift or a loan.

"You can't switch from it being a gift all of a sudden when things go bad and you want it to be a loan and you want the money back," he said.

Parents could opt for part-ownership of a child's property, Mr Frakes said. "You have the benefit of being better than a secured creditor by being an owner," he said.

"Remember you may incur land tax and you will have to be party to any mortgage agreement if the children who own the other half need to borrow their share of the purchase price."

People should never rely on handshake agreements, even with family, and all parties should get independent legal advice long before attending an auction, Mr Frakes said.

"You may intend to make it a loan, but if the loan is not fair and they didn't get advice then, against your original intention, the loan might become a gift."

Mr Frakes said wills were vital, and some families used family trusts to hold property assets.

MBA Financial Strategists director Mark Borg said simply gifting a deposit could expose parents' money to "unintended recipients" if a relationship broke down.

Any loans should be documented to note repayments and agreed interest rates, he said.

Joint ownership structures came in different forms, so clear agreements and exit strategies were needed, Mr Borg said.

He said parents could become guarantors for their children's loans.

"This could expose the guarantor's other assets if neither party can repay the debt," he said.