

Retirewell eNewsletter

Exclusive Client Email Newsletter – 22 January, 2016.

Staying the Course in Volatile Times

The first three weeks of 2016 have seen a return to the type of volatility global markets experienced in the third quarter last year, with the Australian share market, for example, now slightly less than its September low and 17.5% down from its April high.

While there are a few bears such as RBS and hedge fund manager George Soros predicting a significant market downturn, it is hard to see Australian shares falling much further, given the market's average grossed-up dividend yield is currently around 7% and the differential between the market yield and the cash rate is now as high as it was during the GFC!

The end-of-2016 forecasts for the S&P/ASX 200 Index by 13 major Australian fund managers, investment banks and stockbroking firms show a range between 4000 (RBS) and 6000 (Credit Suisse).

It is of interest to note that if the average forecast of 5500 was achieved, this would be a 13% gain from yesterday's close of 4864. For the full 2016 year, it would represent a 5% capital gain, which in addition to franked dividends would make the total return a quite pleasing 12%.

In order to put the current economic and market situation into perspective, it is worthwhile reading the latest paper by Dr Shane Oliver, Head of Investment Strategy and Chief Economist at AMP Capital, about the rough start to the year. Dr Oliver gives *Seven Reasons Not To Get Too Concerned* [here](#).

Also, given China's importance to the global economy and investment prospects, we recommend you read an excellent report by Franklin Templeton Chief Investment Officer, Dr Michael Hasenstab, entitled *Why We're Not Panicking About China*, which you can find [here](#).

If you have any queries or concerns regarding your financial situation, please contact your Retirewell Adviser.

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