All Ordinaries	5284.70	↑	1.15%
S&P/ASX 200	5263.60	↑	0.94%
Dow Jones	16,643.01	↑	1.11%
London FTSE 100	6247.94	↑	0.97%
HK Hang Seng	21,612.39	↓	3.56%

WEEKLY CHANGE

Growth outlook weaker

MICHAEL RODDAN

GLOBAL ratings agency Moody's has downgraded its growth forecast for the major economies of the world as China's slowdown weighs on global demand, while commodity-exporting nations are affected by weak prices.

Moody's yesterday said it was revising its economic growth forecast for the G20 group, of which Australia is a member, to 2.8 per cent in 2016, down from 3.1 per cent.

The G20 economies account for about 85 per cent of the world's GDP and cover two-thirds of its population.

Moody's said the downward revision was due to the impact of a "more marked" slowdown expected in China, compounded by the "prolonged negative effects" of low commodity prices on G20 producers than had been expected earlier.

China's growth forecast for 2016 was downgraded to 6.3 per cent for 2016, from 6.5 per cent, after the slowdown of Chinese exports and investment continued to slow into the third quarter of 2015.

China's official figures put its GDP growth at an annual rate of 7 per cent, according to the most recent data, but the figures are widely met with scepticism.

Moody's said China's employment growth was weakening in a more pronounced way, pointing to a broadly-based deceleration in the Chinese economy.

"Ongoing policy support from the Chinese government is likely to only partly offset the underlying slowdown in the Chinese economy," the ratings agency said.

Slowing growth in China also makes a significant rebound in commodity prices in the near term unlikely, Moody's said.

Bloomberg's commodities index, which aggregates 22 prices, recently fell to its lowest point in 13 years. The price of iron ore has touched its lowest point in a decade in recent months, while the prices of oil, copper, zinc, nickel and coal have also traded a multi-year lows.

"A more prolonged period of low commodity prices will lead to muted export revenues and investment for commodity-exporting G20 economies," Moody's senior vice president Marie Diron said.

Negative GDP growth in Brazil and Russia, two of the largest G20 member nations, was now expected to extend their 2015 recessions, Moody's said. Russia's economy is heavily dependent on oil exports, while Brazil's exports are concentrated in iron ore, petroleum, other metals and agricultural commodities.

A stronger dollar and lower oil prices led to Moody's revising its US growth forecast to 2.6 per cent in 2016, down from 2.8 per cent.

Moody's said the recent falls on global stock markets would not have a direct significant impact on economic activity in most countries, including China.

The Australian

Safe hands: Francois Witbooi, Barry McGuire and Liza McGuire of Redspear Safety. Picture: Matthew Poon

Miners in the red can't stop a dream run

The Sunday Times GOING FOR GROWTH SPONSORED BY nab

LAUNCHING an engineering safety business in the midst of the mining downturn might seem like a crazy idea.

But not for Bayswater-based Redspear Safety, which has won contracts with corporate giants Chevron, Woodside, John Holland, Komatsu and Brierty since its launch in February.

The company consists of husband-and-wife duo Barry and Liza McGuire, and general manager Francois Witbooi.

Mr Witbooi said as market conditions have changed, so has the company's business plan.

"It has been tough, but still exciting," he said. "We've expanded our product range at the request of our clients

"Because we're small, we've been really disciplined in keeping our overhead base incredibly low.

"A lot of people said we were crazy entering at this time in the market, but we think it's the best time."

The name Redspear was derived from Mr McGuire's nickname, "Spear", and from a vivid, epiphany dream he had as a teenager where he was offered red ochre.

Ms McGuire said being an Aboriginal business was a "strategic asset".

"It gives us the opportunity to pitch and talk about our business and products," she said. "We want our clients to know we have a great, quality product, coupled with excellent service and competitive prices.

"We're the first Aboriginal business in Australia that operates in height safety and engineered fall protection."

***The Sunday Times* and NAB present the Going for Growth series, championing Australian business success stories**

Too young to flee market

SCOTT PAPE
THE BAREFOOT INVESTOR

HI Scott, I'm a 24-year-old nurse. My superannuation is $19,000 (with HESTA), and I am worried that this week is the start of something much bigger. Should I switch my investment from the current balanced option to something more defensive, like cash?
Hey Cloe, At your age you should have your super invested solely in growth assets.

If I were a talent manager for the stock market, I'd suggest it has an image problem. The only time my client lands on the front page is when it's up to no good.

Yet when it rebounds, which hundreds of years of history proves that it always does, the good news invariably gets buried down the back pages (like in my newspaper column).

What's not to LIC?

Hi Scott, my wife and I read you religiously, so we know you're a big fan of AFIC and Argo. We have $500,000 in our SMSF and we are wondering whether we should invest in AFIC and Argo or invest directly in the companies they hold, using the "percentage of total assets" on their websites as a guide.

Hi Bruce and Mandy, Great question. There's no doubt you'd be slightly better off replicating their portfolios. Reason being, AFIC is currently trading at a premium to its net tangible assets (which means they're currently making less than the individual shares in the portfolio are making).

But if you're patient, you could buy at a discount to NTA (making more than the individual shares are).

Frankly, I've bought at both premium and discount throughout the many years I've been a shareholder with them, and it's never bothered me too much.

So let's take a look at why I have my mother in AFIC and Argo shares. These listed investment companies (LICs) charge about 15 cents for each $100 you invest, which in your case would work out at about $750 a year.

What do you get for that $750? First and foremost, you get professional investment management that has (historically) outperformed the market over many decades.

Second, AFIC's portfolio comprises 25 individual blue-chip Aussie businesses. The company handles all the paperwork and the tax reporting on the individual holdings. And that will save you a lot of time (or a lot of accountancy fees).

Value in big miners

Dear Scott, I own a couple of stocks (Fortescue and a gold company) that are doing really badly and dragging down my portfolio. But I don't want to sell them as I'd lose a lot of money. What should I do?
Hi Annie, you've said you're not selling, so what advice do you want?

Speaking personally, Fortescue has too much debt for my liking, and I don't invest in gold miners (though I feel I hedge that by buying my wife jewellery).

Having said that, with resource prices currently in the toilet, I've got my eye on the big miners, though I'm buying them at about 50 per cent less than their boom-time valuations.

Profit from panic

Hi Scott, when I saw the front page of the newspaper earlier this week, "$59 billion panic attack", all I wanted to do was buy some shares. The only problem was that I didn't have any spare cash. I know your thoughts on debt, but is it a good idea to get a margin loan in place (but not draw it down), so I can be ready for the next downturn?
Hey Bill, generally, I advise against borrowing to buy for shares, because most people only do it when the share market is running hot and is due for a downturn (at which point the margin lender forces you to either cough up some cash or sell out your stocks at a loss).

I also don't like margin loans because they're generally too expensive. A more cost-effective way is to redraw on your mortgage. But you need to ask yourself: What happens if the market falls 50 per cent?

Instead, I'd focus on putting a set amount of your long-term savings into the market each month.