

CLIENT

INFORMATION BULLETIN

DECEMBER 2023

With compliments:
TENNI & ASSOCIATES

Ph. 9720 9880

grant@tenni.com.au
www.tenni.com.au

Welcome to the Future **Learn from the Past**

Since learning about the Investment Cycle in 2009, and passing on the forecasts since 2015, we have established ourselves as a very unique accounting firm. We make no apologies for being correct.

In 2015 we started warning that the next recession was due around 2019/20.

In 2017 we explained how a property development could build your wealth. Those who followed our advice in the following years saw an increase in their wealth of at least as much as the Superannuation they had built up after 30 or 40 years of working.

If the current 18 year Investment Cycle continues to turn in the same manner as every other 18 year cycle in the USA since 1800, then we are heading towards a peak in land prices around 2026 and a crash during 2027/28. No guarantees, but the current cycle has followed the 1990-2008 cycle exactly. Given the horrendous people in Government around the world, there is no reason to think the cycle won't continue in the same manner.

www.landcycleinvestor.com

I am adding a further exciting web site for you to review. Catherine Cashmore is also an expert on the cycle, is friends with Fred Harrison, and has written on the Investment Cycle for years. Catherine is President of Prosper Australia and regularly appears on television, radio and high level panels on tax reform.

Catherine has now set up LandCycleInvestor to educate Australians in particular, about investing in Australia, in conjunction with the knowledge and influence of the 18 year investment cycle. Her site

covers similar information to Phil Anderson's site, however is much more affordable. I heartily recommend you become a subscriber.

www.landcycleinvestor.com

A reminder that there is also a lot of free information on the following web site, which shows where we are in the cycle, what is coming, and like Catherine, has been unerringly accurate in its predictions.

www.propertysharemarketeconomics.com

So, what comes next?

From 2021 to 2024:

Complaints about Land Tax

Increased Infrastructure spending

There is always a certain amount of government expenditure on infrastructure, however by lavish, we mean going to another level. In fact, in Victoria, we have had a huge number of projects cancelled or put on hold, as the number of projects promised was too many and are too over budget.

Shares

2023 has seen another year of the share market going sideways. Chances are 2024 will see the smaller companies show some very strong growth. They have lagged behind the larger companies indexes by a factor not seen for many years. As it is smaller companies that become the bigger companies of the future, those are the ones with the greatest potential for significant returns. We hope to see that sector perform much better in 2024.

Historically, a Presidential Election year is a very good year for Shares.

REIT's, Real Estate Investment Trust's, are also expected to have a much better year in 2024 than the last couple of years.

The bells are ringing to invest.

Around 2025 to 2026:

Activity slackens, but confidence remains high, warnings of an impending land crash are dismissed by Government leaders

Foreclosures and bankruptcies increase, although the general public are unaware. They don't really want to know as they are celebrating life never having been better. 2020 is long gone.

Around 2027

Stocks enter a bear market from past all times high

Credit creation institutions reverse their lending policies, no lending
Economic activity stalls

A general wipe out of debts and stagnation in the economy
The wreckage is cleared away

Around 2029

Stocks start climbing and we are ready for the next boom

Around 2030

Land values start to recover. Banks willing to lend money again. Government programs introduced to try and assist people to buy housing, especially first home buyers.

No guarantees, but that is how this Cycle is tracking and will probably continue. Government decisions and policies around the world are, yet again, replicating the decisions made in past cycles. So it is hard to imagine that, with the same policies being followed, how can anyone expect a different outcome?

Property

Research has shown that Australian property doesn't suffer as much in the crash. However, we still have a huge problem with unemployment, mortgage defaults, and financial stress.

Australian property prices are regarded as what we call, “sticky”.

In Australia when our house has a lower value than the agent told us it was worth 12 months or so ago, we seem to have the attitude, well stuff that, I’m not selling. We also do not have Non Recourse Loans. (The USA does). Our major banks don’t want to become pseudo real estate agents, so tend to work more with home owners to keep them afloat.

Our loans are generally fixed for around 1-5 years, whereas in the US most of their loans are fixed for many, many years, between 10 to 30 years. When a house is worth less than the loan, in the USA millions of people will simply go and hand back the keys to the bank. As they have Non Recourse loans, the bank can’t come after them for the shortfall in value. It becomes the banks problem. We just don’t do that in Australia, unless the bank forecloses on us.

For those who considered a property development between 2017 and 2021 and did not proceed, it is now too late. It is now much harder to find an ideal site with the potential for a significant profit over a 2-3 year period. There are still many ideal sites to purchase for a future development, however the building costs often mean the project isn’t viable at the moment. As costs come down more, we may see more viable options.

There are still plenty of townhouses, units, ideal for longer term investment. Many don’t involve much after tax out of pocket, so this is a sector still worth investigating. Also, properties you can add some value to are always the best option. Do Not buy a new Property just built, or ever buy Something off the Plan. Never!

Blockchain & Cryptocurrency

Virtually all Financial Planning Dealer Groups ban their Advisors from advising on Cryptocurrency.

In 2023 Blockchain was the greatest performing investment. Around 140%.

Tech Stocks ran hot in the late 90’s and early 2000’s. Finally Financial Planning companies started to

recommend them, bingo, that is when they crashed.

Whether Bitcoin becomes a significant replacement currency for Fiat currency, whether a lot of countries adopt Bitcoin, who knows. However, keep an eye out for when the likes of AMP allow it to be recommended by advisors to clients. Almost certainly that will be the time to get out.

Note, we appear to be getting closer to Bitcoin ETF’s being approved in the USA. It is felt by crypto currency followers that EFT approval could be a game changer.

World Debt

Many Western countries are carrying an extraordinary national debt. There is an argument that Government Debt is not a problem, in that much of it is funded by Government Bonds, and simply when the Bonds become due, the Government can just issue more cash to redeem them, then, being they are Government Bonds, just cancel them. For a much better explanation see “The Deficit Myth” – Stephanie Kelton. (MMT Modern Monetary Theory)

However, the greater problem for debt is when people are paying way too much for land. That is, their home, or investment property. When it reaches a point where “the last fool” has bought, they go to sell, find the fools aren’t around any longer to sell to, and the price crashes. Ala 1990 and 2008!

AMP Chief Economist Shane Oliver keeps predicting a 10-20% fall in house prices by the end of 2024 (he predicted the same during Covid, and a fall in 2023). He is wrong.

There will not be a crash in housing in the very near future. (i.e. next couple of years)

Why?

- High immigration
- Housing shortage
- Government grants incentivising building e.g. Queensland
- Low unemployment
- Normalised interest rates
- Defaults on loans very low
- We follow the US
- Longer more affordable loans, 35 and even 50 year loans are being arranged.

- Huge bank profits, Australia banks \$32.5B for FY23

There has to be a change to a lot of those factors before we will see a significant downturn in demand for home borrowing.

Health – Had your full health check

What’s your cholesterol level, your Calcium Blood Test, and for the blokes your PSA level. Let’s be around for our kids’ weddings and grandkids!

One of my favourite Doctor John Tickell sayings is, “How many fat 80 year olds do you see?” Answer – not many. There’s a reason!

The Future for Tenni PL

I am more than happy to continue to bore you to death with Our Unique Proposition. We understand the Investment Cycle and align our accounting advice and our investment advice with the knowledge of what is coming next. We know we are right, and our record proves it.

Therefore, we look forward to assisting your friends and family in the years leading up to, and following the peak around 2026 and the crash into 2027 and 2028. Who you gonna call, I mean, send them to?

2024

Thank you for your referrals. We extend our deepest gratitude for the very significant number of new clients referred to us in the last 12 months by you, our clients. You are our most valuable people.

Our office will be close at lunchtime Friday 22nd December, and reopen Monday the 8th January.

We again extend our deepest appreciation for your custom, your loyalty and your support during 2023.

Good health to you all.

Wishing you a very Merry Christmas and a Happy New Year

**Grant, Jeanette,
Emma, Rizwan & Suba**