Jobless jolt for RBA

PAUL GILDER
JOBS

SURPRISINGLY gloomy jobs figures have cast a shadow over otherwise sunny signs for the Australian economy, handing the Reserve Bank a reason to reconsider an interest-rate cut.

The nation's jobless rate shot up last month from 5.7 per cent to 5.9 per cent, official figures reveal, after employers defied economists' expectations to cut 6400 jobs.

It is the highest unemployment rate in 13 months and the first contraction in the workforce for six months.

It highlighted how tough it would be to maintain growth as the working population grew, analysts said.

While 27,100 full-time roles were created, those gains were more than offset by the loss of 33,500 part-time positions.

Economists had been expecting to see about 15,000 new jobs created. The total number of hours worked was down 20.5 million, while the underemployment rate — measuring those willing and able to work more hours — was back at an all-time high of 8.7 per cent.

The number of full-time jobs remains about 30,000 down on its level a year ago.

"We've never had a point in history where there's negative full-time (jobs) growth and a strong labour market. The two things don't exist together," JP Morgan economist Tom Kennedy said.

The result is at odds with the latest business confidence and job advertising figures, which both indicate a level of optimism.

The Australian Bureau of Statistics figures tempered market enthusiasm on a day that began brightly following the highly-anticipated rate hike from the US Federal Reserve the previous night.

After rising 0.5 per cent in the morning, the benchmark ASX 200 index lost most of that ground to eke out only a slender gain.

Mr Kennedy said the RBA would now need to put back on the table a cut in the cash rate to a fresh low of 1.25 per cent — a move he expected in the second half of the year.

The jobless picture was mixed. Victoria's climbed from 6 per cent to 6.1 per cent.

New South Wales, at 5.2 per cent, remained at the head of the pack, followed by Tasmania at 5.8 per cent.

However, a massive slide in the number of West Australians looking for work dragged its jobless rate, now at 6 per cent, below the rates in Victoria, South Australia and Queensland.

South Australia's jobless rate was 6.6 per cent and Queensland was the surprise tailender, at 6.7 per cent.

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Fed lifts rate as US rebounds

WORLD ECONOMY

THE US Federal Reserve has lifted its benchmark rate for the second time in three months and forecast two further hikes this year as America's economic rebound gathers pace.

The Fed's key short-term rate is rising by a quarter-point to a still-low range of 0.75-1 per cent — a move that saw the Australian dollar shoot up beyond US77c.

The message the Fed sent early yesterday was that nearly eight years after the US exited recession, its economy was now healthy enough to withstand steadily tighter credit.

Meanwhile, the Bank of Japan yesterday stuck with its stimulus package.

Japan's economy is recovering with the help of a weaker yen due in part to Donald Trump's rise to the US presidency. But economic growth and stable inflation still remain far from the levels promised by Prime Minister Shinzo Abe and the Bank of Japan.

At its latest meeting, the BoJ's board voted 7-2 to keep its target for 10-year Japanese government bond yields at around zero.

Tabcorp has revealed an anonymous punter walked away with $100,000. Plenty of other punters have enjoyed success with Winx.

ANONYMOUS PUNTER SCOOPED $100K

GAMING

A PUNTER anonymously received a $100,000 windfall through Tabcorp, it has emerged.

The revelation came as Tabcorp's bill for failings in its anti money laundering and counter terrorism systems climbed beyond $90 million.

The Federal Court yesterday agreed to a settlement finalised between Tabcorp and Australia's financial intelligence agency, Austrac, which included a $45 million fine.

That fine, announced last month, is the highest ever civil penalty in corporate Australia.

Austrac was also awarded costs, which took Tabcorp's financial hit for its failings to more than $90 million.

The court determined Tabcorp contravened the anti-money laundering and counter terrorism financing act on 108 occasions.

Tabcorp admitted to breaches related to unlawful activity, including money laundering and credit card fraud. The wagering heavyweight also admitted it failed to identify a customer who collected $100,000 in winnings.

Austrac chief Paul Jevtovic said the identity of the customer remained unknown.

Shares in Tabcorp closed up 0.2 per cent yesterday at $4.59.

Caution as ore rebounds

COMMODITIES

THE price of iron ore yesterday shot back above $US90 a tonne after a lacklustre trading period following the Chinese New Year holiday.

The Steel Index said the price of iron ore for immediate delivery to the Port of Tianjin surged 4.2 per cent to $US92.10 a tonne, up from $US88.40 in the prior session.

It marks a three-week high for the key steelmaking ingredient and the first time the crucial Australian export has crossed the $US90 threshold in a fortnight. News of the gains boosted the shares of BHP Billiton and Rio Tinto.

Despite the rally, analysts remain cautious on the prospects for iron ore in the remainder of the year given the planned uptick in supply from the commodity's major producers as well as a potential lift from juniors looking to cash in on the higher prices.

Macquarie analysts have just completed a tour of China, noting demand had been weaker since the Chinese New Year. While it is expected to pick up, a glut remains on the cards, they said.

We're all global investors, so set your portfolio to roam

THE SHORT CUT
with ANDREW MACKEN

THE decision to invest globally is one that all investors will face at some point.

And for investors based in relatively small economies such as Australia — which represents less than 2 per cent of global gross domestic product — this decision is even more important.

The case for investing a significant share of one's portfolio abroad is strong.

There are two key reasons: (i) the opportunity set is so much larger; and (ii) the portfolio diversification benefits to one's portfolio from investing abroad are significant and cannot be replicated by investing in domestic assets alone.

But for many Australians who have little desire to travel abroad, is it really necessary to invest globally?

After all, if you live only in Australia, your expenses are in Australian dollars and you do not need to worry about global diversification. Or so conventional wisdom goes.

This could not be further from the truth. It may surprise many to learn that households are, in fact, net importers of goods.

Even though everything you buy for your house is purchased with Australian dollars, the true underlying source of the goods is, in many cases, from abroad.

Whether a car, fuel, clothes, an iPhone or even TV shows watched on Netflix: in many cases these have been sourced from abroad.

And this means that all households need to worry about preserving their global spending power — just as an any importer would.

A clear illustration of the impact occurred in the UK last June. When the "Brexit" referendum results came in, the pound sterling collapsed by more than 10 per cent in a matter of hours. And just three months later, Apple raised the price of its iPhone 7 by £100. Why? So that Apple could maintain its iPhone price in US dollar terms.

Every Briton who believed all their expenses were exclusively in their domestic currency and did nothing about it, experienced a genuine erosion of purchasing power.

Another example relates to the impact of President Trump on Australian investors.

Now many Australians view US politics as little more than a source of fascination, and few believe there is much in the way of tangible near-term economic consequences.

But for any Australian with a mortgage the result of the US general election last year will be felt very soon, if it has not already. Here's why.

The US election resulted in the surprise combination of one party — the Republicans — controlling the White House, the House of Representatives and the Senate.

This means that meaningful new laws can and will be passed, undoing the gross dysfunction that plagued the Congress.

This resulted in an immediate uptick in expectations of some form of fiscal stimulus — be them tax cuts, infrastructure spending or regulatory easing.

These expectations translated into higher inflation expectations; which, in turn, pushed up US interest rates.

But what does this have to do with the Australian economy? Well, it turns out that much of our banking system is financed by the US. So as interest rates in the US rise, so too will mortgage rates in Australia.

We might live on an uninhabited island far away from the rest of the world. But like it or not, our economy is globally connected.

And Australians need to keep this in mind when they are considering where to allocate their investments.

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