A game of hide and seek

CLAIRE HEANEY

MOST businesses flourish when their customers return for new products.

But when a long-established Melbourne leather goods factory decided to diversify by developing a range of bags and wallets, it wanted to meet the demands of a customer seeking to buy a product once — and buy well.

Eagle Australia, established in 1945, supplies belts to well-known labels.

Five years ago it established Graine, an accessory label designed to go against the grain.

Graine designer Kerryn Brodie said the products, which range from overnight bags to wallets and handbags, got better with age as the leather matured.

"We had been speaking about creating a brand that was really made locally — not just designed locally," she said.

"We thought there was a good opportunity to make bags. We started with one clutch and have added pieces.

"People love the smell of quality-made leather goods that will last forever."

Launched online, the Graine range is also available at 30 stockists, which share the label's mindset in supporting Australian manufacturing and keeping the supply chain sustainable.

Ms Brodie, who works in the East Brunswick business with her father, Colin, and brother Leigh, said bloggers and online "influencers" had helped to grow the label.

She regularly attends key retail trade shows where buyers seek new products.

Ms Brodie said the Graine customer was after a piece that was unique, durable and functional. She said they were deliberately "slow fashion".

There are no pops of fashionable colours which will render pieces out of fashion — just traditional earthy tans, chocolates, cowhides and black.

"Many of our customers visit us more than once and are always telling us how much they love our leather products, which is very flattering to hear," she said.

Ms Brodie said Colin joined the business 42 years ago and is today managing director.

She said he had taught a good work ethic and it was great to be part of the family business.

Leigh has been on board for 15 years and Ms Brodie joined seven years ago after finishing study and dabbling in fashion design.

Leather craftsman Albert He, who began working with the company 30 years ago, oversees the goods.

Ms Brodie said the leather was supplied by a respected Australian tannery that the company had worked closely with for many years.

graine.com.au

Designer Kerryn Brodie and craftsman Albert He. Picture: SARAH MATRAY

Thorny issue of origin

BUSINESS OWNER
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LOVERS celebrating Valentine's Day by buying roses have been urged to share the love by choosing Aussie-grown blooms.

Growers concede it's a contentious issue, as Australian-grown roses cost more but last longer than imports.

The Australian Made campaign has teamed with growers to urge people to ask florists where their flowers are grown.

Federal government figures show more than 9 million stems, or 750,000 bunches of roses, were imported from Kenya and other countries last year. Local rose growers only account for about 10 per cent of the market.

Grower and national wholesaler Floraco urged buyers to look for Australian-grown logos when buying roses.

Guy De Kok, the owner of the sixth-generation business, said people would be rewarded with a much longer vase life by paying between 20 and 40 per cent more for local blooms.

"Roses are a very intensive flower to grow with high labour and energy costs so they are more expensive than the imported roses," he said.

"The upside is that the quality is exceptional. Imported roses might be dead in two days but locally grown roses will still look good a week later." Mr De Kok said roses left his Western Australian business in sleeves clearly marked as Australian grown.

Further down the line, the logos might be taken off as they were repackaged or mixed with other blooms.

Mr De Kok said the floral industry faced the same issues as Australian fruit and vegetable growers who struggled against cheap imports. "If we are looking for the cheapest product in everything, we will not have an industry in the longer term," he said.

Australian Made Campaign chief Ian Harrison said while imports might be inferior, they were a huge challenge to the local industry.

"Many consumers would be unaware of the proportion of fresh flowers being imported, because country-of-origin labelling is not mandated," he said.

"If it's fresh Australian-grown flowers they're after, we encourage shoppers to look for the famous Aussie logo, and in its absence, be sure to ask where the flowers were grown."

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Irrational exuberance that's feeding a bulging bubble

THE SHORT CUT
with ROGER MONTGOMERY

THE chorus of learned experts, and even some "rockstars" in the global finance industry, suggesting the bond and equity market is in a bubble is growing louder.

The bullish arguments for equities has been well articulated.

Rare, synchronised global economic growth — the International Monetary Fund last month upgraded its global growth estimate to 3.9 per cent — combined with the immediate benefits of US tax cuts (the US economy is in its 109th month of expansion), low inflation and low interest rates have conspired to elevate equities to a point where, on some measures such as the CAPE ratio, stock prices have only been more expensive in aggregate once before since the late 1800s.

It is worth remembering that there are really only two things — growth and discount rates — to think about when it comes to the drivers of asset valuations.

If market participants are focused on growth and that growth is accelerating, then asset prices will be supported.

If the growth fails to meet expectations, or expectations for growth decline, then asset prices will fall.

If interest rates fall or expectations are for declining rates, then, all things being equal, asset prices will rise.

Conversely, if interest rates rise, especially if they rise fast, or expectations for rates rise, then asset prices should fall.

Having rallied for some time, some silly behaviour is now emerging in the stock market. When the Hicksville, New York-based Long Island Iced Tea company announced a "corporate focus shift towards opportunities strategic to blockchain technologies", its shares rallied from just under $US3 to over $US15 that day.

When Kodak announced it was launching its own cryptocurrency, KodakCoins, the company's share price rose as much as 270 per cent.

On the London Stock Exchange, a cash box company, AIQ, raised £3.6 million by issuing 50 million shares at 8 pence, giving it a market value of £4 million. Two days later, AIQ was trading at 125 pence, or more than 15 times its listing price, for no reason at all. This all sounds eerily similar to the tech boom, when adding .com to a name triggered a buying frenzy.

Australia is not immune.

The ASX-listed Getswift has a market capitalisation of just under $600 million and earns revenue of just $600,000. You read that right: it is trading at 1000 times revenue.

Alan Greenspan, the former US Federal Reserve chairman who coined the phrase "irrational exuberance" during the dot.com bubble, now believes the equity and bond markets are in a bubble.

Legendary value investor Howard Marks believes it is time to be cautious, saying "Most valuation parameters are either the richest ever (Buffett ratio of stock market capitalisation to GDP, price-to-sales ratio, the VIX, bond yields, private equity transaction multiples, real estate capitalisation ratios) or among the highest in history (p/e ratios, Shiller cycle-adjusted p/e ratio).

In the past, levels like these were followed by downturns.

Thus a decision to invest today has to rely on the belief that "it's different this time".

"This entails a decline in risk aversion and produces risky behaviour, rising asset prices, diminished prospective returns and increased risk.

"It's impossible to say the negatives will win the tug of war anytime soon, but that doesn't mean caution should be discarded — especially now."

It's worth paying attention when the central banker who originally observed "irrational exuberance" notes it again.

It's also worth paying attention to the advice of Marks who hints that "this time" is never different.

For a rout to take hold, there typically needs to be a reappraisal of the major inputs that go into valuation.

Not everyone believes strong growth will continue.

The IMF believes Chinese growth will inevitably fall and Capital Economics believes "there will be a US-led slowdown in 2019 which, along with higher US interest rates, may cause a slump in equity prices".

On the interest rate front, US 10-year government bonds, which were 1.36 per cent in mid 2016 are now double that at 2.78 per cent. If growth slows and or rates continue to rise, record high asset prices cannot stay elevated.

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