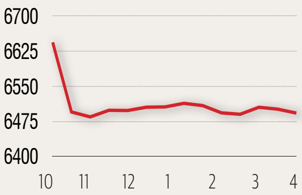
ASX 200
6493
-146.90 -2.21%
The market dived for a second straight day, losing $49 billion in value amid a rout of global equities.



ALL ORDINARIES	BEST ASX 50	WORST ASX 50	$A	OIL BRENT	IRON ORE
	NEWCREST MIN	RIO TINTO LTD	US CENTS	$US PER BARREL	$US PER TONNE
6611.70	$35.48	$87.25	67.07 ¢	$57.52	$92.26
-141.60 -2.09%	+.95 2.75%	-3.84 -4.22%	+0.03 +0.04%	-1.68 -2.83%	+0.10 +0.10%

the Canadians again

tor, David Cushing, have backed the buyout offer.

The company said in a statement that two other directors, David Fitzsimons and chair Chris Corrigan — the former head of stevedore Patrick and chair of Qube Logistics — had not been involved in the decision to back the deal.

That was because companies associated with Mr Corrigan and Mr Fitzsimons would be offered stakes in a new business, KoobaCo, to be set up by the Canadian group.

Under the takeover proposal, Webster assets worth more than $275 million would be transferred to KoobaCo. The buyout offer comes about a month after shareholders in agricultural services company Ruralco overwhelmingly voted in favour of a $469 million takeover by Canadian fertiliser group Nutrien.

Nutrien already owns another Australian agricultural services business, Landmark.

Elders' proposed $187 million takeover of Australian Independent Rural Retailers was also approved last month by the Australian Competition and Consumer Commission.

The watchdog has said it is closely monitoring increasing consolidation in the nation's drought-hit agricultural sector.

Drought took a toll on Webster's first-half results, released in May. Net profit fell a heavy 46 per cent to $2.1 million.

The company yesterday said it was still expecting to report a "near breakeven" result for its past financial year, covering the 12 months to September. It expects to put the buyout offer to a shareholder vote early next year.

Webster is based at Leeton, northwest of Wagga Wagga, in the Riverina.

AAP

CAR SALES DRIVING INTO STRIFE

TRANSPORT

SALES of new cars continue to slide, with Australia's peak motor industry group blaming factors including stricter lending conditions.

The number of vehicles sold nationally last month was down 6.9 per cent from the same month last year, according to the Federal Chamber of Automotive Industries.

Toyota's Hi-Lux was again the top-selling model despite a 22.5 per cent drop in sales to 3364. In all, 88,181 new vehicles were sold in September, down 6530 from a year earlier. It marked the 18th consecutive month of decreasing sales, but was an improvement on a 10.1 per cent drop in August.

Chamber chief executive Tony Weber questioned if it had become "too difficult for people to finance basic purchases in today's Australia".

"It is clear the slower sales rate the market is experiencing is in line with the broader economic environment in Australia," Mr Weber said in a statement. "Of particular concern to the industry is the restrictive regulatory lending conditions currently facing consumers."

Hey Josh, how about cranking up our debt?

THE SHORT CUT

ANDREW MACKEN

AS news is emerging that Australian Treasurer Josh Frydenberg will soon deliver a balanced budget for the first time since the GFC, one needs to ask if this is even appropriate today.

While surpluses are prudent and allow for protection against future downturns, the logical time to build government surpluses is when growth is strong and interest rates are rising.

But growth is not strong here in Australia today. And it has weakened significantly in China and the European Union in recent months. Further, interest rates have collapsed globally. But in Frydenberg's own words: "My first priority is about implementing our election commitments".

This is fair enough and even a breath of fresh air. But should the environment call for different fiscal settings, our political leadership should be prepared to change course too.

Now, an Australian treasurer focused on regaining a federal budget surplus might argue that Australia has not had a recession for 28 years.

As such, why shouldn't any prudent government focus on rebuilding a surplus and paying down debt? While logical at first glance, this period of 28 years with no recession is a fact that is both true and highly misleading at the same time.

As pointed out by many economists, including the Federal Reserve Bank of St. Louis as recently as last week, Australia has avoided a "recession" over this period purely through high population growth.

But when economic growth "per capita" is analysed instead, Australia has indeed had three recessions over the past 28 years — the most recent one being from the second quarter of 2018 to the first quarter of 2019.

Three years ago, the then treasurer — a man who is now the Prime Minister — promoted the idea of conceptually separating the notion of "good debt" and "bad debt". The idea was that debt used to fund infrastructure was good, but debt used to fund recurring expenditure was bad.

Of course, it didn't take long until the politics of viewing various forms of government expenditures through the simplistic lens of good versus bad became a headache.

But the general concept wasn't wrong. Indeed, there is one aspect of this idea that both sides of politics could likely agree on — at least privately. And this is that debt-funded public initiatives which generate social benefits well above the cost of said debt must be value accretive for society. There is no transferring of debt burdens to future generations under such a scenario because the associated social benefits are also transferred to future generations.

Treasurer Josh Frydenberg

Now, measuring social benefits objectively and keeping the politics out of investment allocations is the age-old challenge.

But one thing is for sure: the hurdle rate over and above which public investment makes sense has recently become a whole lot lower.

The Australian government can today borrow at a fixed interest rate of less than 1 per cent per annum for 10 years, and less than 1.6 per cent for 30 years. These rates are half the level they were one year ago.

So the question we're all asking is obvious: why is the government not taking advantage of this new low-rate environment? When mortgage rates fall, property investors typically rush to take advantage of low borrowing costs.

Indeed, this dynamic is currently supporting a resurgence in some of Australia's major property markets. Should governments not do the same?

And in the words of Reserve Bank governor Philip Lowe from just one week ago: while the global economy is still growing, "the risks are increasingly tilted to the downside".

And on the Australian economy?

"We are not expecting a return to strong economic growth in the near term…"

Perhaps some sensible fiscal stimulus would help.

ANDREW MACKEN IS CHIEF INVESTMENT OFFICER FOR MONTAKA GLOBAL INVESTMENTS

MARKET WRAP

A BUYOUT of regional broadcaster Prime Media may be back on the agenda at Channel 7 owner Seven West Media, according to sources.

The speculation comes as new Seven West chief James Warburton stamps his mark, with the axe falling on current affairs program *Sunday Night* and jobs going in the broadcaster's publicity team.

It is understood no talks have taken place yet between Seven West and Prime.

Should a buyout be in the works the challenge for Seven West will be convincing heavyweight investor Bruce Gordon — who owns more than 10 per cent of Prime — to sell. **Seven West** shares dropped 5.1 per cent, or 2c, yesterday to 37.5c, while **Prime** fell 2.9 per cent, or 0.5c, to 17c.

It came amid a broader sell-off in the Australian share market following a selling spree on Wall Street the previous night.

The benchmark ASX 200 index dropped 146.9 points, or 2.2 per cent, to 6493 while the broader All Ordinaries was down 141.6 points, or 2.1 per cent, to 6611.7.

All the big banks fell more than 2 per cent yesterday, led by **National Australia Bank**, down 3.5 per cent to $28.

The **Commonwealth Bank** dropped 2.8 per cent to $77.34, **ANZ** 2.7 per cent to $27.30 and **Westpac** 2.4 per cent to $28.50.

Goldminers gained as the price of the yellow metal, regarded by some investors as a "safe heaven" in volatile markets, climbed back above $US1500 an ounce.

Newcrest Mining jumped 2.8 per cent, or 95c, to $35.48, **Northern Star** was up 3.5 per cent, or 40c, to $11.69 and **Saracen Minerals** rallied 4.1 per cent, or 14c, to $3.58.

Elsewhere among major companies, investment bank **Macquarie** dropped 2.8 per cent, or $3.58, to $126.27 and Bunnings owner **Wesfarmers** fell 1.7 per cent, or 67c, to $38.75. Biotechnology titan **CSL** dropped 2.4 per cent, or $5.62, to $229.03

The Aussie dollar was buying US67.19c last night, up from US67.02c.