

## *Xmas Greetings from the CFS team*


I'm very happy to be moving into summer though if you're living in the Auckland region you're probably very keen to see more sunshine and less visible humidity. If I may take a leaf out of the media playbook and provide some spin, "Auckland dams are overflowing and damaging waterways, people are being asked to shower for longer, wash their cars more often and drink more water!"

On a personal level, I have my 2 daughters visiting from Australia for Xmas so regardless of weather we'll be enjoying mountain biking somewhere around the North Island and trying to remain upright!

Wherever you are these summer holidays look after yourself and we look forward to meeting in person in 2023. Meanwhile please enjoy some light reading, amusing jokes and a reminder that there's very little new in the 'news'.

# History repeats, who knew?

*I've taken the liberty of updating an NZ Herald article written by Mark Lister back in 2010, in the midst of the GFC uncertainty.*



2022 might seem rough but 1990 wasn't that flash either and markets have done well since. With so much uncertainty and risk swirling around the markets today, many people are understandably reluctant to invest at present. In hindsight, today is somewhat reminiscent of 1990, although in many ways things were worse 30 years ago. The early 1990s was a tough time for investors. Unemployment was close to 10 per cent, commercial property prices were collapsing, GDP was shrinking, inflation was 7 per cent and the floating mortgage rate stood at 14 per cent. Our sharemarket had halved in value over the previous three years. Then, just when you thought it couldn't get much worse, Saddam Hussein invaded Kuwait, sending the sharemarket down another 30 per cent. Then we went through what Britain is facing now, big budget cuts, needed to fix a sick looking set of public accounts. Our economy, already suffering, rolled over. GDP fell further

and unemployment pushed higher. Those were the days.

In the midst of all this terrible news, the New Zealand sharemarket quietly found a bottom in early February 1991. It is important to note that this market bottom occurred some time before the economy reached a bottom, with unemployment continuing to rise until the last quarter of 1991, and GDP growth not entering positive territory until the last quarter of 1992, about 18 months later. People who had the fortitude to invest during this maelstrom of bad news enjoyed a good run for the next 25 years.

Today, as in 1990, investors have plenty they can worry about; Sovereign risk, debt, budget deficits, inflation, deflation, decreasing house prices, rising interest rates, volatile sharemarkets and so on. It is impossible to predict how all this will impact on markets and future returns, but history has a habit of repeating.....

# Future: Predictable or not?

Guardian newspaper article in the 2008.

Set into the front doorstep of my house (and most other 19th century houses in London) is an iron contrivance called a boot-scraper. It is a device for scraping the horseshit off your boots before coming into the house, and the iron blade is worn into a shallow curve by a half-century of use.

Nineteenth-century cities depended on horses to move people and goods around. London in the 1890s had 11,000 horse-

drawn taxis and several thousand buses, each of which required 12 horses a day. Add all the private carriages and the tens of thousands of horse-drawn carts, wagons and drays delivering goods, and there were at least 100,000 horses on the streets of London every day - each producing an average of 10kg of manure. Two thousand tons of manure a day. There were flies everywhere, and if you didn't shovel the manure up quickly, it dried up and blew into your eyes, your hair, your nose, your clothes. As the cities grew, even more horses were needed and the problem grew steadily worse. One writer in the Times in 1894 estimated that in 50 years the streets of London would be buried under 3 metres of manure.

In fact, within 35 years the streets of London were almost completely free of horses, and filled with automobiles instead. They created a different kind of pollution, but at least you didn't step in it. The same fate is likely to overtake oil-fueled vehicles in the next 35 years. The



shift will be driven by concerns about foreign exchange costs and energy independence, and increasingly by the need to curb greenhouse gas emissions. It is starting with ever-tightening standards for fuel efficiency. That will be followed by the first mass-market generation of electric vehicles, due in the next two or three years.

So oil consumption is going to start falling quite fast, quite soon. Indeed, it is a safe bet that the demand for oil is going to fall faster than the supply over the next 10 or 15 years. And if demand falls faster than supply, the price will also collapse.

Ladies and gentlemen, place your bets ...

## Legal advice

The Godfather, accompanied by his lawyer, walks into a room to meet with his accountant. The Godfather asks the accountant, "Where's the three million bucks you embezzled from me?" The accountant doesn't answer. The Godfather asks again, "Where's the three million bucks you embezzled from me?"

The lawyer interrupts, "Sir, the man is a deaf-mute and cannot understand you, but I can interpret for you." The Godfather says, "Well, ask him where the @#!\* money is."

The lawyer, using sign language, asks the accountant where the three million dollars is. The accountant signs back, "I don't know what you're talking about." The lawyer interprets to the Godfather, "He doesn't know what you're talking about."

The Godfather pulls out a pistol, puts it to the temple of the accountant, cocks the trigger and says, "Ask him again where the @#!\* money is!"

The lawyer signs to the accountant, "He wants to know where it is!" The accountant signs back, "Okay! Okay! The money's hidden in a suitcase behind the shed in my backyard!"

The Godfather says, "Well, what did he say?" The lawyer interprets for the Godfather, "He says that you don't have the guts to pull the trigger."



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