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# Woodhall's 2017 Year Ahead – what did they say?

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## The forecasts

To accompany our own forecasts for 2017 (which are published on our site in 'Woodhall's 2017 Year Ahead'), we thought we should also collect a selection of forecasts from other sources in almost real time.

We will focus on forecasts that relate to those we have published – plus any big, relevant calls we come across. Of course, it is impossible to cover all forecasts. We plan to try and be unbiased – largely by only including forecasts well before we can know if they are right or wrong – and by not deliberately hiding contrary views from respectable sources.

From time to time we will comment on these 'other forecasts'. We will not delete or modify other's forecasts except to 'clean up' the presentation as we attempt to produce a workable document. Nor will we delete our earlier comments.

## Summary of calls

Call 1: The ASX 200 for the year ending 2017 (3/1/17)

Call 2: The S&P 500 for the year ending 2017 (23/12/16)

Call 3: Nobel Laureates' thoughts on Trump and a 'deep recession' (8/1/17)

Call 4: The Economist macro panel (10/12/16)

Call 5: Friday 13<sup>th</sup> gloom from Wall Street (13/1/17)

Call 6: Valentine's Day call for \$50 iron ore (14/2/17)

Call 7: Two big houses reaffirm RBA rate forecasts of two more cuts (19/5/17)

Call 8: Altair Asset management sells hundreds of millions of Aussie equities to cash and returns proceeds to investors (30/5/17)

Call 9: Dr John Edwards, former RBA board member, predicts 8 hikes in the next two years!

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**General Advice Warning:** This note has been prepared without taking account of the objectives, financial situation or needs of any particular individual. Any individual should, before acting on the information in this note, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice. Past returns are no guarantee of future performance.

## Call 1: The ASX 200 for the year ending 2017

Fairfax published (January 3<sup>rd</sup>) the results of a small survey of six year-end forecasts for the ASX 200. We report them in Table 1.

**Table 1: House calls for the ASX 200**

House	Forecast
Morgan Stanley	5,450
UBS	5,700
Goldman Sachs	5,800
AMP	5,800
Macquarie	5,875
Credit Suisse	6,000
Mean	5,771
Median	5,800
Woodhall	6,000

The consensus, panel range and Woodhall's forecasts are shown in Chart 1 together with a trace of the index (which will be updated each time we post). An explanation and update of the forecast (solid line) and the highs and lows (dotted lines) are given in the Woodhall Weekly postings on site.

**Chart 1: Woodhall's and house calls – ASX 200**



**Comment: Jan 7,** Morgan Stanley (5,450) was the lowest for 2017 and also the lowest last January (for 2016) at 4,800. Credit Suisse was the highest at 6,000 this time and last! The consensus was 5,700 last year. At that time, Woodhall's call was 5,850. The outcome was 5,666. Good one, consensus!

Woodhall is at the top of the range for 2017. But Woodhall's target is modest compared to long run average capital gains of around 5%.

**Comment: Dec 30,** The ASX 200 finished 65 pts above the highest forecast. We shared line honours with Credit Suisse!

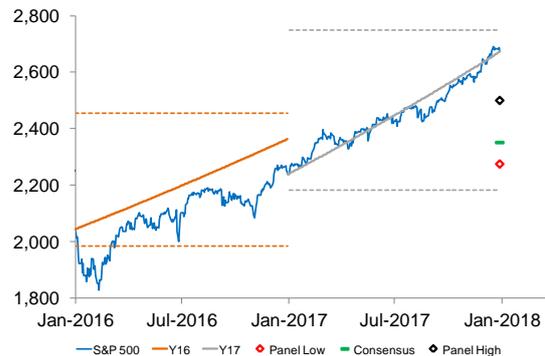
## Call 2: The S&P 500 for the year ending 2017

Yahoo Finance published (December 23<sup>rd</sup> 2016) the results of a survey of sixteen year-end forecasts for the S&P 500. We report them in Table 2.

**Table 2: House calls for the S&P 500**

House	Forecast
FundStrat	2,275
Bank of America	2,300
Credit Suisse	2,300
Goldman Sachs	2,300
Morgan Stanley	2,300
UBS	2,300
Citi	2,325
Jefferies	2,325
Canaccord	2,340
BMO	2,350
Deutsche Bank	2,350
JPMorgan	2,400
Barclays	2,400
Societe Generale	2,400
Oppenheimer	2,450
RBC	2,500
Mean	2,351
Median	2,333
Woodhall	2,680

**Chart 2: Woodhall's and house calls – S&P 500**



The consensus, panel range and Woodhall's forecasts are shown in Chart 2 together with a trace of the index (which will be updated each time we post). An explanation and update of the forecast (solid line) and the highs and lows (dotted lines) are given in the Woodhall Weekly postings on site

**Comment: Jan 7,** Woodhall's forecast is well above the panel's range. There will be no grey region. But our last year wasn't too bad if we take into account the post Jan 1<sup>st</sup> rally.

**Comment: Jan 14,** UBS (on CNBC) added a forecast of 2,325 for mid 2017 and Russell Investments called 2,100 for the year end due to high P/E ratios.

**Comment: Dec 30,** The whole panel underestimated the gains. We'll take this one!

### Call 3: Nobel Laureates' thoughts on Trump and a 'deep recession'

Reported by Bloomberg via Fairfax January 8<sup>th</sup>: "A pack of Nobel Prize-winning economists gave Donald Trump and his policy plans the thumbs-down on Friday, with one [Joseph Stiglitz] saying the president-elect's programs *could lead to a deep recession* [ed. emphasis added]."

**Comment: Jan 8**, It is commonly thought that US academics, and others, often lean towards the Democrat Party and they may still be stinging from their loss to Trump.

One of the throng, Robert Shiller, chose not to go along with the pack. Shiller is the one with his own important house price index [Case-Shiller] and important long-run P/E ratio. In my opinion, Shiller is worldlier and we usually pay attention to what he says. We're with him on this one. Also, the non-committal 'could lead to a deep recession' leaves an awful lot of wiggle room. And they don't even say by when a deep recession 'could' arrive.

We put this forecast in the 'attention-seekers' basket.

**Comment: Dec 30**, We bet they'll all have amnesia when it comes to this call.

### Call 4: The Economist macro panel

The Economist magazine reported a macro-economic (10<sup>th</sup> December 2016) poll. They surveyed 22 major houses. Table 4 contains the results relevant to our calls for 2017.

**Table 4: Economist's house calls**

Country	GDP growth		CPI Mean
	Mean	Range	
Australia	2.8	2.1 - 3.2	2.1
China	6.4	6.2 - 6.8	2.1
Europe	1.3	1.0 - 1.8	1.3
UK	1.1	0.6 - 1.4	2.0
US	2.2	1.5 - 2.8	2.3

**Comment: Jan 8**, None of these forecasts is opposed to our own views (or the other way around!) on a) no recession in Australia; b) no derailing of the China or EU economies; and, no US recession. All in 2017, of course!

We do think, though, that the inflation forecasts are a little high – except for Europe. We think the China

growth forecast is a little low. We think the US growth will be running a little hotter in late 2017.

**Comment: Dec 30**, It's too soon to collect the data. It looks like all the GDP forecasts are too low (except for Australia). The inflation forecasts were a tad on the high side.

### Call 5: Friday 13<sup>th</sup> gloom from Wall Street

The London Daily Telegraph reported on Friday 13<sup>th</sup> January that Bank of America was predicting a 10% surge on Wall Street followed by a "meltdown in 2017". It also reported HSBC believes "equities are walking a tightrope, and there is a fairly long way to fall."

CNBC reported that same day UBS was forecasting the S&P 500 to be 2,325 in mid 2017. The next day, CNBC reported Russell Investments as having predicted the S&P 500 to finish 2017 down at 2,100 – or -8% on the latest data!

**Comment: Jan 14**, what a gloomy bunch of houses! Our Call 2 is dead set against this view unless a 10% surge came within a month and any meltdown only took the index back to where it is now.

**Comment: Dec 30**, Could Bank of America and HSBC have been more wrong?

### Call 6: Valentine's Day call for \$50 iron ore

After an overnight jump of +5.6%, the price of iron ore jumped above \$90 / tonne for the first time since 2014. Bain, an authority on iron ore, were reported on CNBC to be predicting \$50 by the end of 2017. Bloomberg had an expert panel of 13 people who are predicting an average of \$55 over the last three months of the year.

**Comment: Feb 14**, We stand by our forecast of a floor of \$65 on the grounds that China will be stronger than many predict – and the US will continue to lift sentiment.

**Comment: Dec 30**, The low of the year was \$53.8 and the average over the last three months was \$65.2. The experts seemed to have missed the strength of China in the latter part of 2017.

### **Call 7: Two big houses reaffirm RBA rate forecasts of two more cuts**

In the week ending 19<sup>th</sup> May, Sky Business reported that both JP Morgan and Credit Suisse have reaffirmed their calls for two more cuts in the RBA rate

**Comment: May 23**, These forecasts are in line with our original January 1 forecasts and we also reaffirm our call for two more cuts.

**Comment: May 29**, Noted that Macquarie expects three more cuts in 'this easing cycle'. It originally made this call near the start of the year.

**Comment: Dec 30**, All of the analysts going for cuts were wrong – including us. But should the RBA have cut? The jury is still out on that one.

### **Call 8: Altair Asset management sells hundreds of millions of Aussie equities to cash and returns proceeds to investors.**

It was reported in Fairfax on May 30 that Philip Parker of Altair predicts a bursting property bubble to impact on equities. He closed the fund as a result but only talks in terms of taking off four months.

**Comment: Jun 6**, Fairfax reported the two Altair funds in question had only 8.5 and 6.5 million dollars invested and were not profitable!

**Comment: Dec 30**, There was no property bubble to burst and equities didn't crash. Presumably that is the end of the road for Altair?

### **Call 9: Dr John Edwards, former RBA board member, predicts 8 hikes in the next two years!**

**Comment: Jun 29**, Clear attention seeking!

**Comment: Dec 30**, Presumably Dr J needs 8 hikes in the next 18 months. We'll come back to this one next year.