Mid-Year Newsletter July 2024

Welcome to our latest newsletter!

Economic Update July 2024

In this month's update, we provide a snapshot of economic occurrences both nationally and from around the globe.

Key points:- Four major developed world central banks have already cut interest rates

- The US Federal Reserve and the Bank of England have all but flagged they are ready to start

- Australia's RBA will be late to the party as inflation data fails to respond to high interest rates

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact the team.

The Big Picture

Many central banks are now claiming at least a partial victory over controlling inflation, but it is far from clear by how much inflation would have fallen without rate hikes. Just through the rolling back supply chain blockages caused by the Covid lockdowns; and the war in the Ukraine not continuing to escalate; and oil prices coming back to more reasonable levels – inflation would likely have fallen – the question is by how much?

Indeed, it is apparent that the interest rate increases may have actually caused inflation in some of the Consumer Price Index (CPI) components, in particular shelter costs such as home rentals. That component makes up about 33% of the US CPI and 7% of the Australian CPI

Inflation in rents and a few services like energy costs and insurance, are not going to come back to more reasonable levels because of interest rates being higher for longer.

The trouble with economics is that it is not possible to do controlled scientific experiments – as is the case for clinical trials of drugs – to determine what our monetary and government spending policies are doing to the economy. Rather, we must rely on 'rational arguments' based on economic theories and past experience.

Nevertheless, there is light at the end of the tunnel. Central banks are starting to cut rates and some economies are bouncing back – if only by a little.

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The Swedish Riskbank (SR) was the second major central bank to cut its interest rate – on 8th May by 25 bps to 3.75% p.a.

Then, in quick succession, the Bank of Canada (BoC) and the European Central Bank (ECB) each cut rates by 25 bps in the first week of June – to 4.75% p.a. and 3.75% p.a., respectively.

The Bank of England (BoE) came to a different conclusion in June. Inflation fell from 2.3% to 2.0% but they kept their interest rate on hold. However, the UK had a General Election on July 4th so the BoE might have not wanted to get involved in politics. It has all but said it will cut its interest rate at its next meeting in August. Interestingly UK retail sales volumes grew at 2.9% p.a. for the year to 30 June, a rate well ahead of the expected 1.5% p.a.

The US Federal Reserve (Fed) took yet a different approach. It too kept rates on hold but Fed Chair Powell spoke at length about the measurement of shelter inflation problems. Two stories on the news wires amplified that view and one of those even mentioned the possible perverse effect that high rates were having on rents.

Powell made it clear that their shelter inflation measurement is a problem and that other methods exist. Indeed, other methods are used by other national statistical agencies. But Powell said he wasn't going to change what they do (yet?).

Regular readers might recall that we have been running this rent argument for some months. If Powell has only just caught on, he might need a month or two to digest the problem and investigate alternatives. The official US CPI data, less shelter inflation, is below the 2.0% p.a. inflation target, clearly a data point the Fed is aware of.

The market is betting on a Fed rate cut in November and another in December. Another market indicator is pointing to a possible third cut which would see the Fed start to cut interest rates before its November meeting.

That brings us to the Reserve Bank of Australia (RBA) and its June board meeting. They also kept rates on hold saying that decision was based on the 'stickiness of inflation'. They said they didn't even consider a cut at the meeting and they wheeled out the old, 'We can't rule anything in or out mantra'. This, in our view, was problematic in terms of meaningful guidance.

More importantly Governor Bullock talked about trying to avoid a recession. While it is true that the simplistic definition of a recession is for two consecutive quarters of negative growth in GDP, most professional economists dig deeper into the data before they are prepared to confirm an economic recession.

We believe that Australia has been in a 'per capita' recession for nearly 18 months noting negative per capita growth in GDP and negative absolute growth in retail sales volumes (i.e. sales adjusted for inflation). However, the significant population growth due to massive immigration flows has, at the national level, resulted in GDP increasing modestly (the number of households has gone up in percentage terms more than GDP per household has fallen).

Some say the jobs data for Australia are strong. We note full-time jobs grew by only 1.0% over the last twelve months – far below even normal population growth rates. Part-time employment grew by 6.2% over the same period. Since a large proportion of the immigration flow has been comprised of overseas students, it seems reasonable to consider the massive growth in part-time employment is due to foreign students taking part-time employment to supplement their living costs.

We believe that the per capita data is more representative of the economic experience of actual households and as a consequence of the RBA not responding with cuts to interest rates, the risk of Australia entering a more severe recession continues to grow.

Also, because of the well-known lags in monetary policy taking effect, an interest rate cut now would not stop the pipeline of past high interest rates continuing to slow our economy down for some time to come. Hence our concern in relation to the RBA inaction with its monetary policy.

There are nascent signs of broker forecasts of company earnings in Australia slowing down a fraction – but not enough to indicate an imminent downturn. Indeed, we expect average capital gains in FY25.

The US economy is riding high on the AI boom. Nvidia briefly overtook Microsoft in being the biggest listed company on the New York Stock Exchange (NYSE).

Government Bond yields have been reasonably stable for some months with 10-year yields on Australian and US government bonds being above 4.3%. This stability is indicative of a level of indecision on the part of investors identifying that they accept that the interest rate tightening cycle is likely finished but they are not yet prepared to commit capital to a recession and falling interest rate scenario.

China's economy is also showing renewed signs of life. If it does manage to engineer a revival, it could mean a strong revival in the Australia resource sector and, indeed, various agricultural commodities as the 2022 restrictions on trade have now been relaxed. Only lobsters are still on that restricted list.

The year to 30 June was a very good one for global equities – by and large – and the dip we had into October 2023 was short-lived. Despite some concerns, momentum in equities generally remains positive for the coming months

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and equity markets are factoring in lower interest rates without economies falling into deep recessions - and in some cases no recession at all.

But there are some key unknowns for the year ahead. Who will win the US election and how will they shape geopolitics and the economic environment? What will happen in the Ukraine in particular, if Donald Trump is elected president?

The Israel-Gaza issue has polarised global views. We do not recall such vocal opposition to Israel's actions in the past. What are the implications of this and for the region generally?

China continues to pursue its territorial expansion in the South China Sea and in relation to Taiwan how does this play out? And what of the events that are yet to be revealed, will they be positive or negative?

Without evidence to the contrary, we remain cautiously optimistic.

Asset Classes

Australian Equities

The ASX 200 made strong gains (7.8%) over the year to 30 June despite its October setback. The index was up 0.9% over June.

The index didn't have a big driver in the year just ended like the rise and rise of Artificial Intelligence (AI) in the US or resources in Australia during China's growth boom.

Our analysis of LSEG broker-forecasts of companies listed in the ASX 200 indicates a possible average year ahead.

International Equities

In the US the S&P 500 gained 22.7% over the year to 30 June on the back of a small number of stocks from the so-called 'magnificent seven' predominantly exposed to the AI theme.

While we do not see the AI boom as a bubble, there is no doubt that market expectations can run well ahead of a company's ability to deliver on such lofty expectations which ultimately leads to a correction. While this can be a painful experience it is how markets work. In our view this boom is so different from the dotcom bubble experienced in the early 2000's. The latter was largely based on hype and hope. AI is already producing goods and services across a wide range of industries and as such we believe will persist.

It is impossible to say whether AI will play as big a role as the industrial revolution or 'the invention of the wheel'. At the start of the industrial revolution in the North of England, threatened hand-loom workers (the Luddites) smashed up the new mechanical looms for fear of losing their jobs. Did anyone then predict trains, motor vehicles, planes, computers and space travel would soon be invented while looms were being smashed? We doubt it. But also, we don't need such a far-reaching vision as we have a wealth of history which has shown that innovation, disruption and change are the norm not the exception. To not participate in this momentum play could bode badly for those who ignore it.

June was mixed for of the other major indexes we follow. Over the year to 30 June all major share indexes, except for the Shanghai Composite, did reasonably well.

Bonds and Interest Rates

Except for Australia, all the major central banks have cut, or are poised to cut, their prime interest rates. The Fed was on hold at a range 5.25% to 5.5%. The dot plot chart displays the forecasts of the 19-member interest rate setting Federal Open Markets Committee. At the end of June, the dot plots median interest rate is for only one rate cut of 25 bps by December. However, if only one member had nominated two rather than one rate cut, the median would have been for two rate cuts. We do not expect the Fed to be overly concerned by the US election later in the year but we are mindful they do not want to be seen to be supporting either side.

With respect to Australia, there is little guidance being provided by the RBA and while we do not anticipate another interest rate increase in Australia, we do not expect that Governor Bullock will cut interest rates ahead of the US Fed. At this point we do not anticipate an interest rate cut here until 2025.

Other Assets

Iron ore prices ranged over $100 to $143 during the year to 30 June. It settled at US$105 per tonne down just under 9% for the month of June. Brent oil prices also experienced a wide range over year to 30 June – from US$73 to US$97 per barrel – with the year closing out at US$86 per barrel.

Copper prices ranged $7,824 to $10,801 during year to 30 June closing the year at US$9,456.

Gold prices ranged from $1,818 to $2,432 in the year to 30 June closing the year at US$2,326.

The Australian dollar against the US dollar traded between US62.78 cents and US68.89 cents. It finished year to 30 June 24 at very near the same level as it did in June 2023.

Regional Review

Australia

Employment rose by 39,700 and all of that, and more, was from full-time job creation; part-time jobs were lost. The unemployment rate fell a notch from 4.1% to 4.0% in May.

What we find disturbing is that a longer-term view (over 12 months) shows that full-time employment rose by only 1% when long term population growth was more like 1.6%. Total employment rose by 2.5% which is broadly in line with recent population growth (including immigration) but part-time employment rose by 6.2%.

The massive influx of foreign students perhaps got some part-time work to supplement their cost of living. All good in the Australian spirit but it hinders people analysing the

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true strength of the jobs market. Jobs growth for the longer-term residents is quite weak.

Our quarterly GDP report was weak. Our economy grew by only 0.1% (and -0.4% after allowing for population growth) over the quarter or 1.1% over the year (-1.3% in per capita terms).

Our household savings ratio fell to a worrying low of 0.9% from an historical average of 5% to 6%. Since this ratio includes superannuation guarantee levies, it is particularly low. Australians are suffering in economic terms. They are not dis-saving but neither are they able to build for their futures.

Fair Work Australia awarded minimum wage and award wage workers a 3.75% pay rise. Since (nominal) wages are lagging well behind cumulative price indexes movements, this increase is not inflationary and, indeed, more is needed to redress the losses most experienced during the pandemic.

Australian CPI inflation was a little higher than the RBA felt comfortable with and flirted with an interest rate increase. Our analysis shows that the main drivers – housing (inc. electricity at home), food, transport (inc. auto fuel), and alcohol & tobacco are largely unaffected by interest rate changes, with the possible exception of food.

The food inflation component has halved in its contribution to headline CPI over the past 12 months. Inflation of so-called tradables (goods and services that are or could be traded overseas) has been below 2% for nearly 12 months.

Since the RBA is charged with the dual mandate of full employment and stable prices, we think it has done more than enough on prices and the true employment picture has been disguised by the big immigration flow. It is almost too late for a single interest rate cut to save the economy from having a more serious recession, particularly as the backlog of the impact of past interest rate increases has not had time to work through to the real economy.

China

China's exports rose 7.6% against an expected 6%. However, imports rose only 1.8% against an expected 4.2%.

In the previous month, exports and imports reversed their roles: imports were strong and exports were weak. The manufacturing Purchasing Managers Index (PMI), a measure of manufacturers expectations, was weak.

US

US jobs were again strong with a gain of 272,000 jobs against an expected 190,000. The unemployment rate was 4.0% and average hourly earnings only grew by 0.4% for the month or 4.1% for the year. No inflationary pressure from there! The private jobs survey (from ADP) was less flattering and the number of job openings per unemployed person has fallen from 2:1 recently to 1.2:1 this month. The US also has an immigration problem. We conclude that the US jobs market is less strong than the headline 'nonfarm payrolls' data suggest.

US inflation, because of the shelter component, does not look that good. But (official) US CPI-less-shelter inflation stands at 2.1! Producer Price Inflation (PPI), inflation for inputs, was negative for the month (at -0.2%). Rents are the only material problem and high interest rates are unlikely to curb that source of inflation in the broader index. Indeed, high interest rates may exacerbate investors willingness to build more supply.

At the end of June, the Fed's preferred Personal consumption Expenditure (PCE) inflation came in at 0% for the month and 2.6% for the year. The core variant that strips out volatile fuel and food rose 0.1% for the month and 2.6% for the year. We think that this will encourage the Fed into making at least two cuts, but probably after the November 5th election.

The University of Michigan Consumer Sentiment Index fell again to levels well below normal – but not (yet) at historic lows. US retail sales adjusted for inflation rose 0.1% for the month but -0.9% for the year.

The month closed out with the first presidential election debate. Biden performed so poorly that the Democratic Party is reportedly searching for an alternative candidate for the November 5th election. Trump seemed far more composed and assured but many disagree with his policies.

Europe

The UK economy sprang back to life with a +2.9% increase sales volume for May against an expected 1.5%. Inflation fell to 2.0% from 2.3%. The 14-year-old Conservative government lost the July 4th election to Labour in a landslide.

Rest of the World

While the big players are questioning first and second decimal points on inflation figures, Turkey just posted a 75% read for inflation to May (up from 69.8%) but only 3.3% for the month! The Turkey central Bank was on hold at an interest rate of 50% while Mexico was on hold at 11%!

Canada GDP grew by 1.7% and it cut its interest rate! Japan exports grew by 13.5% against a prior month of 8.3% in April.

Planning for Aged Care

They say there's no place like home, but as we get older and perhaps face health issues, looking after ourselves and our homes can be stressful - in both practical and financial terms. Your financial adviser can help you navigate the personal and financial decisions ahead to plan a future that works for you and your loved ones.

Planning ahead can reduce the stress

When the time comes that you need a helping hand, your options for aged care help include in home services or residential care. Your GP can help you decide what level of care you may need and is likely to recommend a free assessment with an Aged Care Assessment Team/Service (ACAT or ACAS). This assessment is required before you can access any government-subsidised services, which may include residential care or in-home services such as domestic assistance, personal care, meal services and home nursing.

While you may not need aged care services right now, it's a good idea to consider your options and discuss your preferences with your family. With an agreed plan in place, you can be confident that the best decisions will be made at the appropriate time. Without some forward planning, fewer options may be available to you when you need them most.

Your financial health is important, too

One of the key considerations of planning ahead for your aged care is looking at financial strategies to ensure you have sufficient cash flow to cover the projected costs. Just some of the important issues that may need to be considered include:

*Should your family home be kept, sold or rented?
*How are your Centrelink or Veterans' Affairs benefits affected?
*Do you - or could you - qualify for concessions on accommodation or home care services?
*What is the best way to pay for your care?
*What effect may your plans have on your estate?
*How do you best manage any tax implications?

A quick guide to choosing aged care

The costs of aged care can vary widely and that's why it's important to consider the care that you might need and what you can actually afford. The amount that you will have to pay may also depend on our assessable assets and income. A good way to start your search is making a checklist of what's important to you - location, amenities, medical facilities and nursing care. This can help you narrow your choices and any aged care facility should welcome your enquiry or a visit. You may need to join a waiting list, so applying for more than one service could also be a good idea. Understanding what's affordable for you is essential.
The government website www.myagedcare.gov.au provides listings of aged care services and accommodation fees in your preferred location.

Searching for services?

myagedcare.gov.au
A comprehensive government resource to help find the care that's right for you - ACAT/ACAS 1800 200 422. A free aged care assessment is required before you can access government subsidised services

How much will care cost?

Fees for residential care will include accommodation payments, which can be an upfront lump sum, a daily payment or a combination of both:

*Refundable accommodation deposit (RAD) - a lump sum payment that is refunded to you or your estate, unless you ask for other fees to be deducted or have outstanding fees when you leave. RADs vary between different aged care facilities.
*Daily accommodation payments (DAP) - think of this as rent for your accommodation. It can also be used to cover interest on any unpaid RAD.
You will also be asked to pay for:

*Daily care fees - fees towards the cost of your care including nursing, meals, laundry, cleaning and electricity. They are set at 85% of the basic single age pension or a higher means-tested fee if you have income or assets over specified thresholds.
This amount is limited by annual and lifetime caps, currently $33,309.29 per annum or $79,942.44 indexed over your lifetime.
*Additional service fees - for extras such as special meals, hairdressing or newspapers, which may be offered as a package or on a user-pays basis. These fees typically range from $10 to $120 or more per day.

Moving in

When you accept a place in an aged care service, a Resident Agreement will detail the services provided and fees payable. While fees may be payable once the place

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is accepted, you will have 28 days to decide to pay your accommodation as a lump sum (RAD), a daily fee (DAP) or a combination of both. Your assets may need to be rearranged to cover these and future payments. If you receive Centrelink or Veterans' Affairs payments, they must be notified of the change to your living arrangements as well as any relevant changes to your income and assets.

Covering the costs of your aged care

Your Adviser will discuss different strategies that can help you and your family decide on the best way to ensure you have a reliable and regular cash flow to cover the costs of your care. While the aim may be to maximise your pension entitlements, minimise fees and generate a good return from your investments – possibly including the family home – these are not independent objectives. Working with an Adviser who is experienced in this area, you will receive the guidance and support to make well-informed choices and take away some of the stress for you and your family.

An essential time to review your estate plan

If your living arrangements are changing, it's important to consider the impact on your estate plans. A review will make sure that your affairs and your personal care will be managed to your own instructions and wishes. You should talk to your solicitor and your Adviser about:

• Your Will, which may need to be updated
• An Enduring Power of Attorney, so your affairs can be managed responsibly if you are no longer able to make those decisions yourself.
• Any investments, especially those with 'death benefit'nominations.
• An Enduring Guardianship, to cover decisions on your care and living arrangements if you are unable to do so.

As these documents and powers can only be put in place while you are deemed of sound mind, it's wise to plan ahead.

To start planning your Aged Care options, talk to your adviser today.

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Mastering Your Finances: The Art of Effective Budgeting

One of the most important steps you can take on the road to financial security is to prepare a sustainable budget beforehand. This will help give you the foundation you need to build an effective financial plan that is realistic, achievable and tailored to your own individual circumstances.

THE IMPORTANCE OF BUDGETING

Budgets are a vital aspect of financial planning because they identify the capacity you have for saving and investing. By taking a closer look at your income and outgoings, it's easier to identify surplus cashflow that could be used to reduce debt, save for the future and bring your financial goals one step closer.

To get started, request a budget planner from your Financial Adviser or alternatively, you can search online, visit your bank or find a personal finance app that includes one.

Once you've got your budget planner, you should block out some time for the task, and be prepared to look honestly at your spending patterns. Budgeting needn't be complex, and revolves around two straightforward questions:

WHAT'S COMING IN?

Firstly, list all forms of income. As well as salaries, consider other forms of income such as interest on bank accounts, share dividends, child support, Centrelink payments or rental income from investment properties.

WHAT'S GOING OUT?

Start with all the regular outgoings such as bills, home loan payments, travel expenses and groceries. Then consider any annual or occasional expenses like holidays, birthday gifts, restaurant meals or vehicle servicing.

If you have more money coming in than going out, the surplus can be used for investment or savings purposes. That's a great position to be in, and the next step is to talk to an Infocus Financial Adviser who will help you make the most of it.

If you are only just covering your outgoings, or have more money going out than coming in, it's time to look at ways to boost your income or cut back on your spending.

BALANCING THE BUDGET

Taking on a part-time job or renting out a spare room to a student are two ways you could give your household income a boost – but you may find it is easier to save money than it is to make more.

Most of us spend money on things that are 'nice-to-have' rather than 'must-have', so there are some simple savings to be made. Small changes can make a big difference to our disposable income over time. For example, if you stop buying a coffee on the way to work each day, you could potentially save $1,300 per year.

PUTTING YOUR SAVINGS TO GOOD USE

Once you've isolated some savings, it's time to put this surplus cash to work for your financial future. Here are some tips for successful saving:

- Find a savings account that offers a high rate of interest on your money.
- Ensure that interest is calculated daily on your account, not monthly or yearly.
- Set up an automatic direct debit from your transaction account into your savings account.

SEARCHING OUT THE SAVINGS

There are plenty of other ways to cut your outgoings. Keep the following tips in mind and you'll soon see your weekly or monthly outgoings drop.

- Look around for a better home loan rate or have a mortgage broker search for you.
- Investigate whether solar power could save you money on hot water or electricity.
- Shop around when your insurance is up for renewal and ask about multi-policy discounts.
- Change to energy-efficient globes that last longer and are better for the environment.
- Try the supermarket-own grocery brands that provide great savings every week.
- Wrap up warm in winter with a jumper, rather than turning the heating up high.

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• Dry clothes on a line not in a machine and look for more efficient models for white goods.
• Find out if you are paying bank fees and look around for fee-free options.

KEEPING YOUR CARDS UNDER CONTROL
It's also a good idea to look at the way you are using loans and credit cards, and ask yourself if you're paying more in interest than you need to. Here are some tips for reducing exposure to interest:

• Pay off credit cards each month (if you can) or as much as you can afford.
• Consolidate multiple loans into a single loan with a lower interest rate.

A STRATEGY FOR SUCCESS
In essence, good budgeting comes down to common sense and discipline. So it's important to be realistic about your spending, and not set yourself targets that you can't reach.

For instance, you are better off switching your weekly cinema trip to a day when entry is cheaper, than it is to decide not to go at all.

Similarly, planning to live on baked beans is not practical, no matter how much money you might save.

Above all, remember that budgeting is all about bringing the best out in your situation. Small sacrifices you make now could lead to a brighter financial future down the track.

• Switch credit card debt to an interest-free balance transfer deal.
• Switch your spending to a debit card and only spend what you can afford.
• Don't buy things on credit, if you can't afford to buy them in cash.

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Investment Scams

Be suspicious of anyone offering you easy money. Scammers are skilled at convincing you that the investment is real, the returns are high and the risks are low. There's always a catch. If you think you've been targeted by scammers, act quickly.

How investment scams work
There are many ways investment scams may appear. Three main examples are:

- The investment offer is completely fake.
- The scammer is pretending to offer a legitimate investment, but keeps any money given to them.
- The scammer says they work for a well-known company that is offering a legitimate investment – but they're lying.

In any case, the money you 'invest' goes straight into the scammer's bank account and not towards any real investment. It is extremely hard to recover your money if it goes to a scammer based overseas.

Anyone can be scammed, and every scam is different. Scams are often hard to spot and can feel legitimate in the moment. Scammers can use professional-looking websites, advertisements and apps, and impersonate legitimate companies.

Important
Scammers are using deepfake technology to create fake celebrity videos promoting Quantum AI. Quantum AI is a fake online investment program. It claims to use artificial intelligence (AI) technology and quantum computing to generate high returns for investors. Fake trading results are displayed on a website manipulated by scammers.

If you see a celebrity spruiking an investment, search online to see if the person has posted warnings about being impersonated.

Spot the signs of a deepfake video:

- The person speaks with unusual pauses, odd pitches or different accents.
- Mouth movements aren't in time with their speech.
- Facial expressions and movements don't match the speaking tone.
- The video is low resolution.

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Do not click on any links promoting Quantum AI, or similar scams such as Immediate Edge and Quantum Trade Wave.

How scammers contact you
Scammers can come from anywhere. The most common approaches are:

Unexpected contact – they may contact you by phone, social media, email or text message. They might pretend to be someone you know, such as your bank, financial adviser, fund manager, or even a friend. They'll offer guaranteed or unrealistic high returns on an investment.

Fake investment trading – they use real investment trading platforms to set up fake accounts. Then they will help you trade via an account manager or offer to trade on your behalf. Once you deposit your money it's gone for good.

Fake investment comparison websites – scammers will get you to enter your personal information into their fake website, then contact you to sell their scam investment.

Websites with fake ASIC endorsements – slick websites with fake investing information and performance figures. They may claim to be endorsed or approved by ASIC, and may show the ASIC logo.

Dating apps – using romance to form a relationship with you, then offering you an 'investment opportunity'. (This is also known as 'romance baiting'.)

Paid advertising – scammers often pay big money for advertisements, to appear high in online search results. They also advertise through social media. Advertising a scam is illegal.

Fake news articles – scammers will promote fake articles on social media or news websites, linking to their scam websites.

Deepfake celebrity endorsement videos – scammers use a deepfake celebrity video to promote fake investments.

What scammers may offer you

A scammer may tell you they're offering:

- guaranteed, quick and easy investment returns and sometimes tax-free benefits
- investments in shares, cryptocurrency, mortgage, real estate or virtual investments, all with 'high returns'
- a (fake) trading platform to trade foreign currency, gold, options or futures
- commissions for building their client base and getting others to invest
- an opportunity with no risk or low risk, because you will:
    - be able to sell anytime
    - get a refund for non-performance
    - have insured or 'guaranteed' transactions
    - be able to swap one investment for another
- inside information on initial public offerings or discounts for early bird investors, often falsely impersonating real companies to pitch their offer

How scammers convince you

Scammers will look at the latest market and investment trends for opportunities. They often use well-known company names, platforms, and terms (such as 'crypto') to lure investors in and appear credible.

This may include fake:

- crypto (virtual currency) investments
- trading companies, getting you to invest with them through real apps and trading platforms
- offers of inside information on public company floats, often naming ones that have been hyped in the media or on social media
- offers to get your money back from a sharemarket fall or previous scam
- references to well-known Australian companies or regulators, often using the Australian Coat of Arms or Government logos
- offers to keep your money safe in well-known Australian banks

Important

Beware of scammers offering investments or asking for payment using crypto. A legitimate financial services firm is unlikely to ask you for payment in crypto. Crypto-assets (for example, cryptocurrency) are largely unregulated in Australia and are high-risk, volatile investments. Payments made using crypto are very difficult to trace and recover. To find out more, see cryptocurrencies.

Other tactics used by investment scammers

Operate from overseas

Investing in overseas companies or through brokers based outside Australia can be risky. If you invest and something goes wrong, you may not have access to important consumer rights and protections under Australian laws.

Convincing you not to pull out of the investment

They may try to swap your current investment for another one, convincing you the value will increase, or threaten you with legal action or fees. A common tactic is to ask for 'insurance' or 'taxes' before funds invested can be released. This is just another method to extract more money from you.

'Pump and dump' scams

Scammers use social media and online forums to create fake news and excitement in listed stocks to increase (or 'pump') the share price. Then they sell (or 'dump') their shares and take a profit, leaving the share price to fall. Any other investors are left with low value shares and will lose money. This may be market manipulation which is illegal.

Protect yourself from investment scams

Investment scams can look very convincing. It may be hard to tell if they're genuine investments or not.

Always use a licensed Australian financial services provider when you invest. Check they are listed on AFCA's financial firm directory.

This article was sourced from moneysmart.gov.au.