

Talk of double dip again by Peter Switzer

I don't know what is Chinese for ducks and drakes but that's what I think Premier Wen Jiabao was playing when he dropped the double-dip recession line over the weekend.

His words spooked stock markets but they were meant to scare the likes of BHP Billiton and Rio Tinto, which are negotiating iron ore contracts with hefty price rises expected.

Our S&P/ASX 200 dropped 34 points to 4,784 and was helped down by drops in the share prices of the big miners following the Premier's cautionary words. To keep the poultry imagery going, this was like the golden goose warning that over-cooking could have serious consequences.

Possibility, but less likely

Of course, some silly people are reading too much into the Premier's reference to the fact that inflation, unemployment and sovereign debt problems could derail the global economic recovery sending some economies into a double-dip recession.

All of this is possible and this has been debated now for something like six to 12 months. It has always been a possibility but it looks less likely now than six months ago.

Shane Oliver, the AMP's chief economist, has China on an expectation for 10 per cent economic growth this year and next, and so if he's right then China will not be the cause of any double dip into another economic crash.

Money on the sidelines

At the moment the economic data is stacking up to be more positive than negative and that's why the correction had no legs in January. The bears and the short-sellers tried to make the market down but the optimists bought the dips.

At the moment there's a pile of conservative money on the sidelines that needs to see the US consumer and US housing show some convincing signs of recovery and then the market takes off again.

No double dip

Arnie Selvarajah, the CEO of Bell Direct, told me on my SWITZER program on Sky News Business Channel last night that his researchers see the second half of 2010 being more bullish than the first half. By then, there should be less economic doubters out there.

He categorically ruled out the double dip scenario and based on what we are seeing now, world stock markets are doing the same.

Go China

Anyway, provided our big miners don't commit to a culinary disaster with our golden goose partner, China, our economic future is assured until China eventually succumbs to a recession. However, given it powers its own growth at the moment, that should be some time off yet.

As I always say: Go China! (I really need to know the Chinese for those two beautiful words.)

For further insightful economic advice Peter Switzer can be engaged through Platinum Speakers and Entertainers for corporate events and conferences -<http://www.platinumspeakers.com.au/speaker149-Peter-Switzer>

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