

Winning The Bet

As the nation paused to take in the most watched horse race of the year yesterday, we were treated to one of the most thrilling Melbourne Cup races ever – a photo finish, impossible to tell who was the winner at first glance. Just quietly, as exhilarating as that moment was, I was much more excited to win another far more important bet. It's one I have been consistently making since way back in January with a host of different people, from bank managers through to businessman.

The wager I'm talking about is on an interest rate cut. Along with most Australians, I was pretty thrilled the Reserve Bank came through with the end-of-year rate cut I have been predicting publicly all year. Through that same period, we've seen many economists and commentators back-flipping over and over, oscillating between predictions of rises, drops and pauses like wonky see-saws.

This is the first sprinkle of happiness we've seen in a long time for the property market and there's no doubt it's good news. The cut represents a cash injection for the economy and comes just in time for the Christmas retail trade. But it's not time to get too excited – we need a major drop in rates to really kick-start the market. Let's hope this is the first of several cuts by the Reserve Bank and that the banks pass the full savings through to consumers.

What this rate cut does signal is that we are almost certainly at the bottom of the property cycle and that it's time for buyers to act. The local market is ticking over, with the miners still well and truly leading the way. It's a clear two speed economy – effectively split between the miners and everyone else. And although it may be some months before things really start moving again, when a rebound does occur, it generally happens quickly. If that happens and you've failed to act, you will probably miss out.

I'm off to New York this week on a study tour and along the way I'm looking forward to competing in the New York Marathon. With temperatures there predicted to be as low as -1% and ice on the run, it's going to be a real endurance test, not dissimilar to the property market so far this year! Next newsletter, I'll be reporting back on the difference between the US and Australian property markets, as well as perhaps drawing some interesting parallels.

Looking forward to helping you make good property decisions,

Michael Knights