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Glenn Stevens is still on the hunt for "animal spirits" of the sort that will encourage more businesses to take the risk to invest and expand, as opposed to businesses keeping such plans in the top drawer or returning capital to shareholders.

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But he does point out the other big contradiction apparent globally as well as in Australia. The reluctance to take risks by investing in the "real economy" is not matched by any such investor hesitation when it comes to risk appetite in the financial markets.

Instead, it's more like grand global complacency. There's certainly no pricing for anything going wrong, no real compensation for added risk. Each geopolitical shock or financial event that might have been expected to cause severe stockburn among investors is shrugged off.

So spreads on investment-grade and corporate **bonds** are at multi-year lows and in Europe, yields on sovereign **bonds** in even the "peripheral" countries have fallen dramatically. Yet it's not as if the situation in Europe has improved or risks diminished.

Right on cue, the Australian sharemarket closed on a six-year high despite a marked lack of enthusiasm for BHP Billiton shares in the wake of its demerger plans and lack of any share buyback announcement.

How long this disconnect between market and "real economy" risk taking can last globally is unclear. The warning signs may be obvious but, so far, no typical response.

At one of his regular appearances before the House of Representatives economics committee, the Reserve Bank governor didn't attempt to debate the reasons for what he calls these "remarkable trends", merely the results. The cost of borrowing is extremely low – if still higher in Australia than most other countries – yet the demand for credit remains relatively modest.

"I've allowed the horse to come to the water of cheap funding but I can't make it drink," he declared. "I don't think interest rates are the answer at the moment."

Not that Stevens is suggesting he has the answer for an Australian economy in the grip of these global forces as well as a major reduction in **mining** investment, which did so much to underpin growth over the past several years.

Forecasting, he says, is always an imprecise art and, given the unusual circumstances globally and domestically, likely to be even less reliable now.

But with that major caveat, Stevens expects domestic economic growth to stay at 2 per cent to 3 per cent over the next year, meaning any "sustained reduction in unemployment" will take a while yet. At some point, he says, this below-trend growth should change given other forces at work, such as continuing low funding costs, increasing net worth of households, productivity improvements, gross investment in some sectors barely above depreciation, growth in population, demand for services and the dynamic of proximity to Asia.

"If these responses start to gather pace, the sorts of forecasts we are setting out at the moment will very likely prove conservative," he says. "The frustrating thing is that no one can say when that will happen or just what might be the proximate trigger."

And no one would be more frustrated at that reality than Joe Hockey as he struggles to boost confidence in a business community increasingly alarmed about how the government is handling itself.

At least out in the real economy, it's far from gloom and doom as companies announce their annual results. Wesfarmer's Richard Goyder went out of his way to challenge any continuation of the "negative narrative", saying retail sales in recent weeks had been stronger than a few months ago. That's even if Target's performance is disappointing.

"We are not seeing anything in our retail businesses suggesting that the economy is on the slide,' he said. "Instead, there are significant positive signs."

Wesfarmers, which is also owner of well performing Coles, Kmart, Office Works and Bunnings, clearly gets a good read on consumer behaviour. Goyder is also dismissive of the argument the budget has a big impact on spending, saying any slowing in May and June was more likely due to unseasonably warm weather.

Instead, he cites jobs as the key factor and notes most people have also not seen any reduction in their take-home pay post the budget. So if they are confident about keeping their jobs, they will continue to spend on retail. That's a big if, given the latest unemployment statistics, but it reflects a mood of steady caution rather than any sense of panic.

Wesfarmers is also following the Stevens scenario by announcing it would return $1.1 **billion** to shareholders and pay a special dividend of 10¢ as well as its final dividend of $1.05 a share. But Goyder says it's all a question of balance and that the **company** has a strong balance sheet and the capacity to invest in opportunities "as and when they arise".

From its more **China**-focused perspective, Fortescue Metals Group produced what chief executive Nev Power was delighted to call "an outstanding set of results", including profits up 56 per cent. It's a reminder to all the sceptics about the impact of a lower **iron ore** price on Australian producers. The key to the FMG numbers is a massive increase in volume to 155 **million** tonnes a year along with a 23 per cent decrease in costs as capital expenditure decreases and greater efficiencies and savings cut in. But Power also insists **China**'s growth will continue to be strongly robust. It won't just be FMG shareholders hoping he's right.

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