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April 2020 Market Wrap

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After March's carnage, equities markets roared back in April, driven by fiscal stimulus and the apparent slowing of the spread of COVID-19. The S&P 500® gained by 13%, the best monthly performance since January 1987. The S&P/ASX 200 had its best month since June 2000, posting a return of 8.8%. While still relatively high, volatility calmed. International markets also recovered, with the S&P Developed Ex-U.S. BMI and S&P Emerging BMI up 8% and 10%, respectively.

US unemployment claims totalled 3.8 million last week, about 300,000 more than predicted, pushing the six-week total above 30 million – this implies a jobless rate of around 22%, the worst since the Great Depression and more than twice the 10% peak reached in 2009. Personal spending also declined the most on record.

Australia saw the biggest lift in business loans in 32 years, Annual credit growth rose from 2.7% to 3.6%. Business credit rose by 2.9% in March – the biggest gain in 32 years. Resident deposits soared by over \$110 billion or 5.2% in March reflecting the term funding stimulus measure.

What does it all mean?

- The stimulus dollars are flowing. In fact business credit (or outstanding loans) lifted by almost 3 per cent or around \$30 billion in March the biggest gain in 32 years. The lift in lending is around 10 months of 'normal' lending. Banks have more to lend with the term funding facility totalling at least \$90 billion.
- Aussie financial intuitions are ready to lend even more. Financial institution deposits soared by over \$110 billion in March or around 5 per cent, reflecting the early days of the operation of the Reserve Bank's stimulus measures.
- While businesses are taking up loans, Aussie households are steering clear of debt. Non-housing personal lending fell 1.4 per cent in March the biggest fall since the global financial crisis.

What are the implications for investors?

- Businesses have started to embrace the cheap funding that is available. For many firms
 this is about survival. For others, it is a prudent strategy to get through the virus crisis.
 There is no shortage of funding available with the stimulus measures provided by the
 Federal Government and Reserve Bank vital to ensure that the economy rebounds quickly
 and powerfully.
- Services activity in China is lifting as people try to restore some normalcy in their lives. But manufacturing is constrained due to weakness in economic activity in major advanced economies. Still China is on the way back an encouraging sign for Australian businesses given that almost 40 per cent of our exports go to China.



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The overarching view continues to be that the equities market bottomed in March on what amounted to a forced liquidation and that it is unlikely we will approach such levels again any time soon. The monetary policy response has been effective in stabilizing credit spreads and equity risk premiums while fiscal programs appear to be getting the money to their desired destinations after a slow start which should support both consumers and small businesses until the economy can get reopened.

On a personal note, be safe, enjoy the simple things, and protect yourself and your neighbours.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+13.69%	-7.46%	-14.69%
Nasdaq	+18.73%	+10.61%	-0.93%
S&P 500	+15.26%	-0.17%	-9.85%
Russel 2000	+20.71%	-17.19%	-21.45%
Europe 600 Index	+8.95%	-12.55%	-18.23%
UK FTSE 100 Index	+7.68%	-19.73%	-21.76%
Hong Kong Hang Seng	+6.75%	-17.02%	-12.58%
Japan Nikkei 225	+11.78%	-9.28%	-14.64%
China Shanghai Composite	+2.86%	-7.09%	-6.23%
ASX 200 (Australia)	+8.78%	-9.06%	-16.35%

Australian Dollar

	Close	52 week Range
AUD	0.6483%	0.6463-0.7206%

Government Bonds

	Close	52 week Range
US 3 Month	0.095%	-0.076-2.456%
US 10 Years	0.644%	0.380 – 2.577%
US 30 Years	1.286%	0.692 – 2.954%
Australia 10 years	0.897%	0.570-1.813%

Source: Wall Street Journal.