

Market Wrap

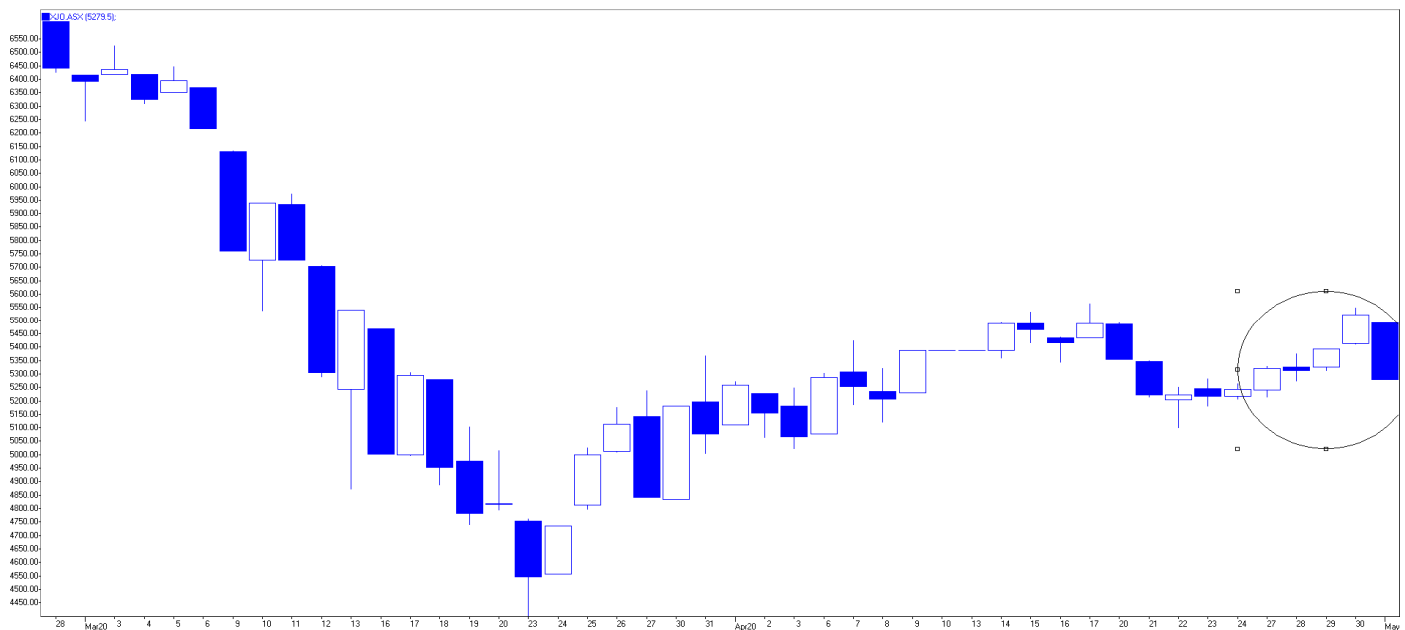
Market Update – 01/05/2020

All of the gains for the week were wiped out on Friday, leading into the long weekend in Australia. Markets closed down 5% on Friday. NAB jump the gun this week bring forward its half year results which had increased bad debt provisions and a major cut to dividends from \$0.83 to \$0.30 for the half year.

For all of us dividend loving investors do not worry too much, it is more of a precaution which all of the banks will follow, Westpac has hinted that there will be no dividend this half. Bank stocks dropped over 5% on Friday on back of expectation all banks will follow suit and cut dividends.

Although the loss of dividends is disappointing it is not reason to sell out for long term investors. The Banks are still well placed to ride out COVID 19 and well benefit from government stimulus during the recovery. Also you need to keep in mind, that the banks have been asked by the government to support business and property owners by allowing loan repayment deferrals and at this point they are not sure which business will recover and which will fall. Provisions for bad debts are only estimations.

Now the positive news, restrictions are being lifted, and the volatility levels in the market continue to fall, this week volatility started at 31 and got as low as 22. Prior to March the volatility levels were between 12-14, at the peak, volatility went as high as 54. With the infection rates dropping we should see less restrictions and more stable markets.



ASX 200 close up 3 points or 0.05% for the week ending 01/05/2020.