

# Market Wrap

## Market Update – 15/05/2020

It is the tale of two charts this week. Market performance and the volatility of the market.

First, we now have a clear base line where the market has been sitting for the past month. We have seen the US markets recover but when you look closer, the Tech sector had the best recovery. The ASX 200 fell 37% and has since rebounded 20%. Do not be fooled by the numbers, to get back to the 7150 ASX 200 high we need another 33% upside from here.

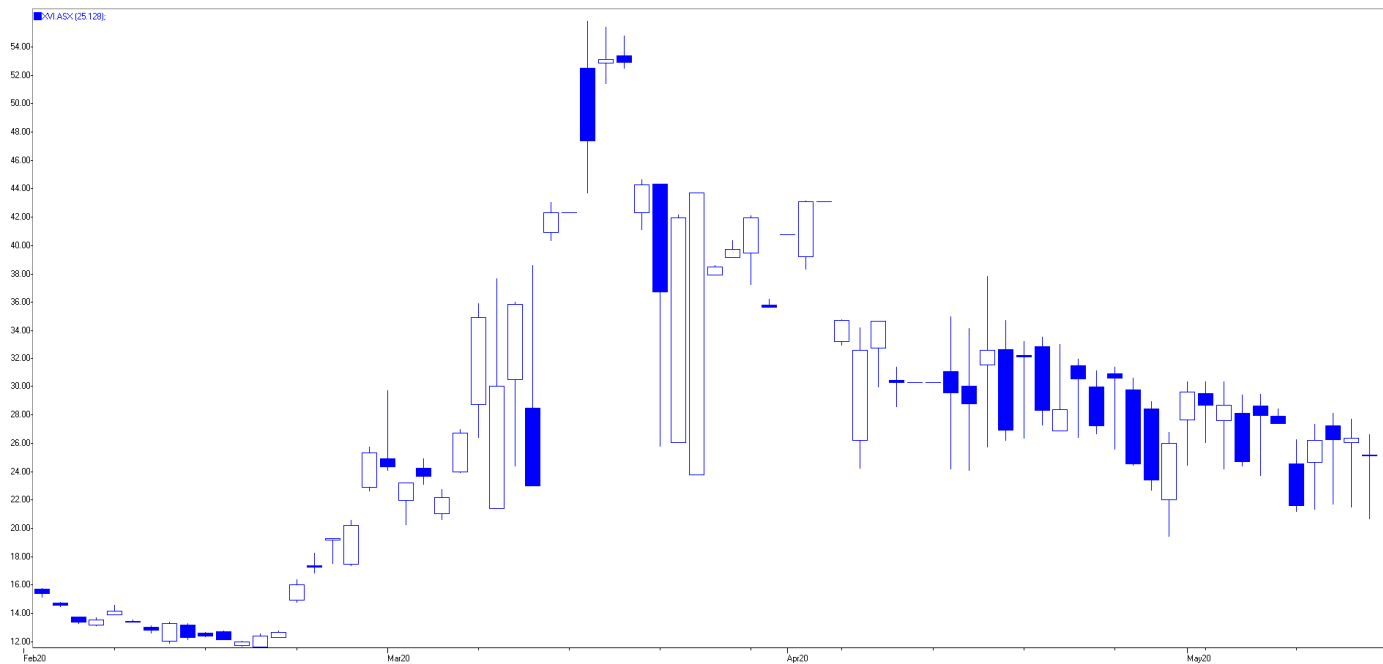


Do not be fooled in to thinking, that everything is now OK, far from it. What we are seeing is the market hedging their bets on the recovery as restrictions are lifted. It will all be about the economic data over the coming months. This will be a slow long recovery, first, we need to see how many businesses fail and second the effect on the larger company from the shutdown. We will have better idea during the September reporting season.

Expect the media to now change gears and stop counting COVID 19 infections and start focusing on economic data, especially in the short term on Jobseeker (1.5 million people) and Job keeper (6 million people) numbers, as they are the early indicators for our economy.

## The Good News

Volatility is trending down, the below chart shows volatility peaking at 54 in March. It is currently sitting at 25, which is still considered to be high, but the falling trend indicates that the markets are settling down. Prior to the COVID 19 the volatility levels were around 12.



Now is not the time to go hard at the market, yes many companies are looking cheap, but there is still a lot of economic data we need to see before large capital commitments are made. It is a good time to dollar cost average in, buying smaller parcels and hedging into quality companies.

May is a good time to start looking at your capital gains for the 2020 year, keep in mind up until February 2020 the market has made record gains and we were actively recommending to take profits where available. It is a time to review those companies which may not bounce back or will trade at depressed prices for years to come. Selling out and booking the loss and sitting on the sideline can provide a tax savings now, and funds to invest in companies which may recover faster.

ASX 200 close up 9 points or 0.16% for the week ending 15/05/2020.