



Market Wrap

Market Update – 19/06/2020

We are in a recession, and market is cheering it on because it was expecting a depression. Unemployment is 8% and the government continues stimulate the economy and save job through their stimulus packages. We are still waiting to see how many businesses are lost to COVID 19 but, the market seems to have found a trading range for now.

The US markets have rallied 45% since the March lows which is the biggest move in the shortest time. The US is ploughing money into the system to stimulate their economy, combined it with low interest rates it is starting to look as if it will be a sharp recovery. But keep in mind some of this impressive recovery is due to cautious manager having to cover short position as the market jumped.

Back in Australia our recovery was 40% at its peak, but is now retracing back into a trading range. As shown in the below chart our market seem to be trading in a channel between 5750 and 6200. Volatility has is sitting around 24 which is still high but the trend is downwards.

Most of our major blue chips companies are trading close to their fair value, and the market continues to be saturated in equity raising, as companies take the opportunity cash up before the end of the financial year and the start of reporting season.



We remain cautious on the market and continue to look for opportunities from undervalued companies which do not have large exposure to the economic fallout from COVID 19.

The market recovery will depend on the results companies put out in the coming quarter, keep in mind we are not looking for better results than the last financial year, but instead looking at how the companies performed against what has been forecasted.

We are at this point in time comfortable to continue to be overweight cash and hand pick individual opportunities as they come up.

ASX 200 close up 85 points or 1.4% for the week ending 19/06/2020.