

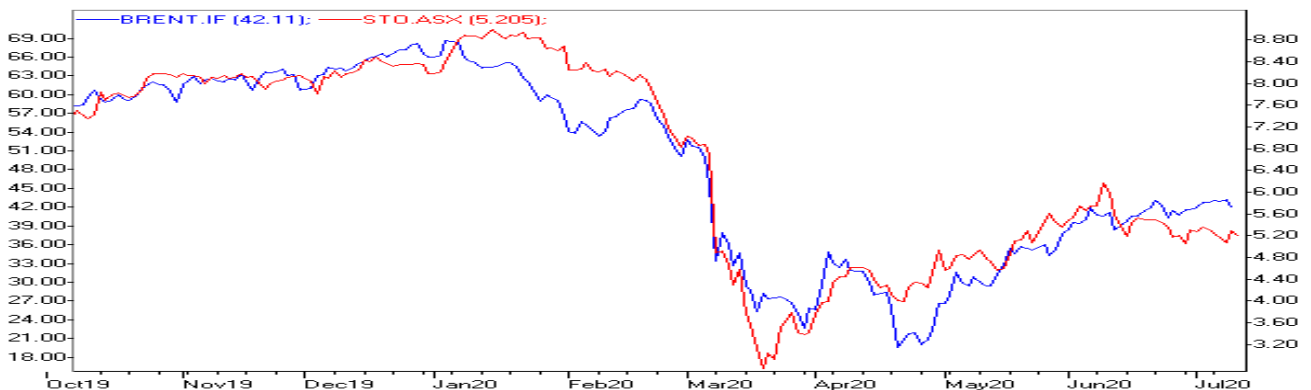
Market Wrap

Market Update – 17/07/2020

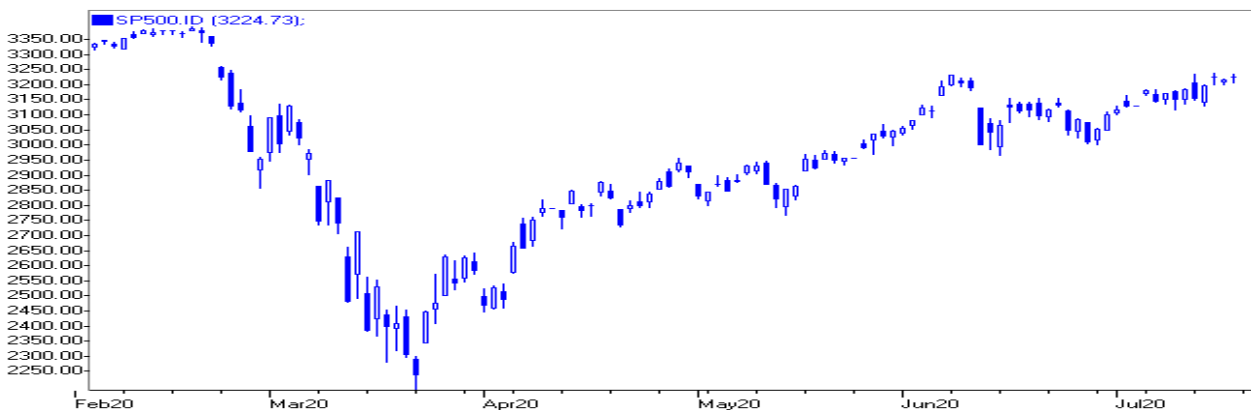
“The more things change, the more they stay the same.”

The energy sector has taken a hit with COVID 19, the reduce travel has reduced demand for oil worldwide. We have seen oil prices as low as \$19 a barrel before rebounding back to \$40 a barrel as production was reduced and demand increased as lockdown restrictions were lifted.

Given the threat of a second wave, further lock downs and reduced business travel as companies change their travel policy, we expect that demand for oil may not return to previous levels for some years. However, with reduced production we expect that the price of Oil will improve over time. For investors looking for exposure to the energy sector and its recovery once COVID 19 restrictions are over you may want to take a look at Santos.



We continue to watch the US, especially the S&P 500 which has continued to rally, it has recovered faster than other markets around the world. The S&P 500 has been pushed up hard with online traders speculating on the tech stocks. The S&P 500 will start reporting revenue figures in the coming month the expectations that revenue will be down 40%. The risk is that we could see a pullback in the US over the coming months as speculators look to exit or poor results. This will impact our market. See the below chart re S&P 500.



Company reporting in Australia will start in the coming weeks and be in full swing by September. The issue will be the results versus expectations; outperformance will see the market rally. Reporting season will provide a better understanding of the effects of COVID 19 on business and jobs. We expect another period of volatility coming up.

The big issue will be unemployment currently quoted at 7.5%. Job Keeper and Job Seeker are keeping the unemployment figures under control at present. However, these programs are to be wound back at end of September, the government is looking to provide a revised version, this will have an impact on business. Early comments indicate that unemployment rates ex-Job Keeper could increase up to 15%.

We continue to look for value in the market, when markets are volatile we see more opportunities to buy undervalued companies and take profits on those companies which trading well above their fair value.

ASX 200 close up 114 points or 1.9% for the week ending 17/07/2020.