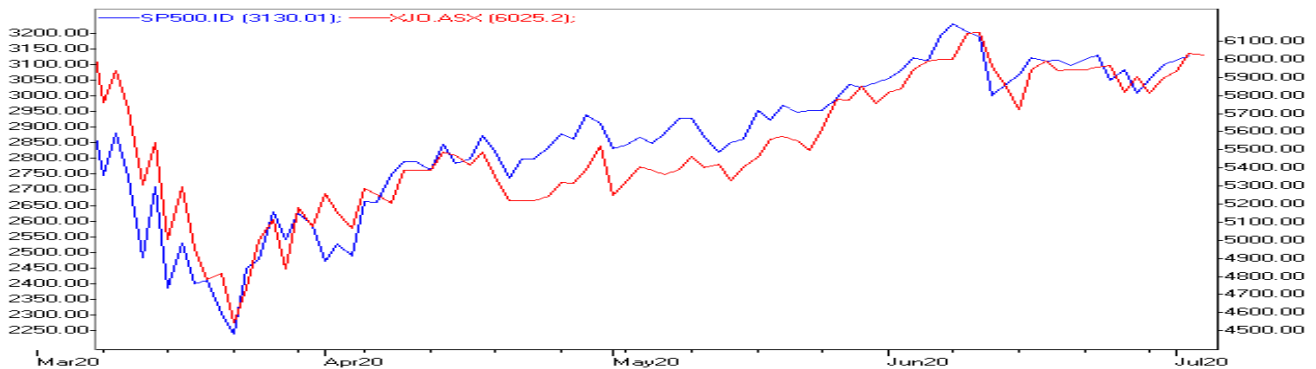


# Market Wrap

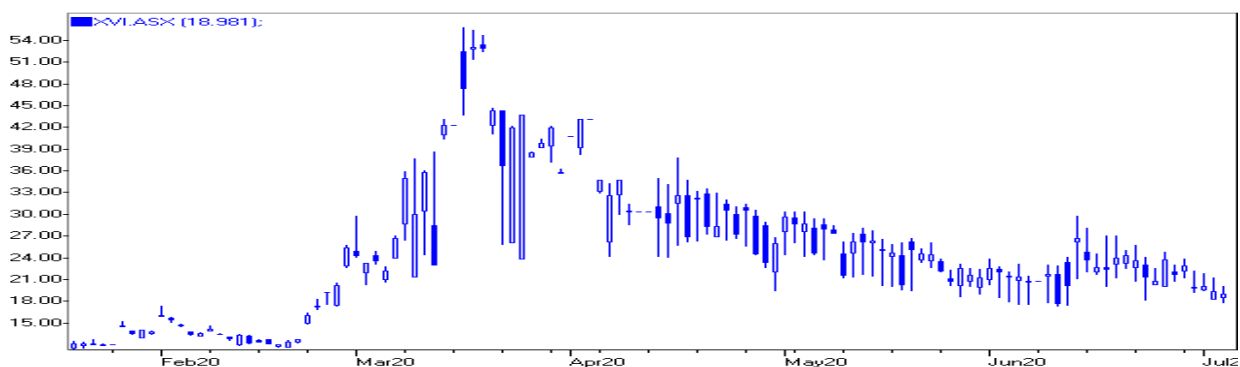
## Market Update – 03/07/2020

COVID 19 wave two is now starting not just in Victoria but also overseas. Restriction are being put in place in Victoria, however, in NSW and QLD restrictions are being relaxed. A second wave was always going to happen, but this time around we know what to expect.

Our market has recovered 30% since the initial shock in March. But we are not alone, the US is leading the way and is currently now only down 7% from the pre COVID 19 levels. The ASX 200 is trading around 6000 points down around 17% from the pre COVID 19 highs. The below chart compares the US (Blue) to the ASX 200 (Red).



Volatility levels as shown in the below chart, continue to trend lower indicating that the market is less concerned the second time around.



In the US, the expectation is that GDP will bounce back between 90-100% for industries moderately affected by COVID while the industries most affected will take until end of 2021.

But what about the economy? Figures show that recessions do not tend to have a long term impact on the economy, unless there is poor policy economic policy. To date the US and Australia have responded well with stimulus packages and now with borders opening we should start to see our economy recover.

We are focused on buying companies which are trading at deep discounts to their fair value, with a focus on companies not affected by COVID 19. With the end of the financial year, companies will start to provide data on their performance over the last quarter. This may cause some short term volatility as investors look to exit poor performing companies or get back into those who have outperformed expectations.

The new financial year will also see people looking to access \$10,000 from superannuation if they meet the COVID 19 early release criteria. On the first of July the My Gov page was shut down due to the high volume of people doing just that. In the short term we expect to see some pressure on the market as super funds look to sell down positions to fund the COVID 19 superannuation withdrawals.

ASX 200 close up 215 points or 3.9% for the week ending 03/07/2020.