



Sharemarkets are usually an indicator of the future as they are forward looking.

Where are we at present? No one knows!



From our share market peaks in February 2020, the US sharemarket is now off only about 8% while the Australian market is about 14% below.

Despite record unemployment, plummeting corporate profitability, the biggest fall in consumer spending for more than 60 years, the lowest levels of consumer confidence since the Global Financial Crisis and most economies still in some form of lockdown. Yes, economies are starting to reopen but we still don't have a vaccine or cure for this virus and the threat of a second wave still looms.

The market is ignoring the heightened tensions between the US and China, the flashpoint that is Hong Kong, heavily restricted international travel, restricted global trade, Brexit and the collapse of growth in China. It also disregards the civil tensions in the USA, the increasingly erratic behaviour of the US President and their upcoming Presidential election in November.

In a normal world, any one of these issues would have caused market shudders in the past. Instead, investors are happily buying stocks at a rate that points to a conviction that the Covid19 crisis is over with a V-shaped recovery that will see the US economy rebound quickly. A recent article explained that the long-term profitability of the corporate sector is closely correlated to long-term economic growth.

If the market reflects aggregated performance of the underlying businesses, then it should track, even if loosely, the underlying economic conditions.

Yet, it doesn't appear to be at present. The economic scars from this Covid19 pandemic will last for years and not the months that investors seem to be pricing in. To be fair, this crisis is producing business winners and losers, but do the gains by a few outweigh the losses of many? There is a lot of research going into vaccines and cures. However, development, testing and mass production will still take some time. Our recovery at present is based on containment.

It was quoted that the earnings of companies in the US S&P 500 will decline by 20-30% this year. Yet the US market is trading at over 22 times current year earnings, against a historical average of 15.7 times.

The market recovery commenced back in late March when the US Federal Reserve and other governments unveiled huge stimulus payments that are being paid for from borrowings (that will have to be paid back by us and future generations). The injection of cash or liquidity into the world's markets has deferred issues of pandemic generated insolvency, but it doesn't resolve them. What happens as these measures are withdrawn or scaled back?

Many solid businesses and households will take years to recover, while those that were struggling won't re-emerge or will be permanently harmed. Liquidity, no matter how available, won't resolve insolvency. History shows that it takes years for unemployment figures to reduce back to pre-recession levels.

The damage from this pandemic, its severity and the timelines for some form of new normal to emerge don't seem to be priced into the equity markets. Experienced investors and economists are conceding that they don't know what is going to happen over the coming weeks, months and years. Normally uncertainty equals risk and risk demands a premium that isn't available in the current markets.

What's happening around the WSP office:

We have been working away behind closed doors during the past few months and being very mindful of Covid19 restrictions and precautions. Luckily we all have our own office areas and some staff have restructured work days to accommodate children at home. Jacinta has been very busy working from home and home schooling her three primary aged children, so she is looking especially pleased to have them back at school and with her return to the office. With the absence of any sport or socialising, we have been like most of you, catching up on jobs around the home, enjoying our gardens and watching way too much TV.



Tips to help look after your mental health during this pandemic

Three million Australians are living with anxiety or depression. Coronavirus has affected many aspects of our lives and the constant barrage of bad news about the pandemic can feel never-ending. Not only is it impacting our physical health but it is taking its toll on mental health too. The threat of catching the virus is scary and many are also facing stressful life challenges, due to job losses, home schooling and social isolation. Social distancing and self isolating mean avoiding seeing friends and family and many people are worried about vulnerable loved ones, all things which can add to feelings of stress and despair. Being asked to stay at home and avoid others can be difficult or feel stressful. However, there are lots of things you can do to help with your mental health and well-being.

Practise self care: Being at home might impact your routine which can affect your appetite and when you drink water. It can help to create a new routine to make sure you are looking after yourself as it's easy to slip into the habit of sleeping late, spending all day in your pyjamas and eating junk food, looking after yourself is essential for your mental health.

Exercise: Getting moving is easier said than done when you feel low or anxious, but it can significantly boost your mood as well as improving your physical well-being, try taking a daily walk. Music that helps boost your mood can also make exercising easier. Get into your garden and get a daily dose of sunshine whenever the weather allows it. Remember there is no such thing as bad weather just inappropriate clothing.

Stay busy: And never stop learning. Reading is a great source of information and entertainment. Learn a new skill, take up a new hobby or craft, meditate, paint or cook. Take the time to call and check in with friends and family that might be feeling stressed due to social isolation.

Professional help is always available through you GP, Beyond Blue offer a support service and can be contacted on 1300 22 4636 or they have a very good website www.beyondblue.org.au

I'll tell you a coronavirus joke now, but you'll have to wait two weeks to see if you got it.

What types of jokes are allowed during quarantine?
Inside jokes!

What will a babies born nine months from now be called in 2033?
Quaranteens.

Back in my day you would cough to cover up a fart.
Now, with COVID-19, you fart to cover up a cough.



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