UNITED WEALTH PARTNERS

# Monthly Market Wrap

**02-July-2020**

| | Units | Month End Value | Price Performance (% Chg) 1-day | 1-mth | 6-mths | 1-year |
|---|---|---|---|---|---|---|
| **Developed Markets Equities** | | | | | | |
| ASX 200 | AUD | 5,898 | 1.42% | 2.47% | -11.76% | -10.89% |
| ASX 200 Futures | AUD | 5,892 | 1.46% | 3.46% | -9.27% | -7.95% |
| Dow Jones | USD | 25,813 | 0.85% | 1.69% | -9.55% | -2.96% |
| S&P 500 | USD | 3,100 | 1.54% | 1.84% | -4.04% | 5.39% |
| Stoxx Europe 600 | EUR | 360 | 0.13% | 2.85% | -13.35% | -6.37% |
| FTSE 100 (UK) | GBP | 6,170 | -0.90% | 1.53% | -18.20% | -16.91% |
| DAX (Germany) | EUR | 12,311 | 0.64% | 6.25% | -7.08% | -0.71% |
| CAC (France) | EUR | 4,936 | -0.19% | 5.12% | -17.43% | -10.89% |
| Nikkei 225 | JPY | 22,288 | 1.33% | 1.88% | -5.78% | 4.76% |
| **Emerging Markets Equities** | | | | | | |
| MSCI Emerging Markets | USD | 995 | 0.11% | 6.96% | -10.73% | -5.67% |
| Shanghai Composite | CNY | 2,985 | 0.78% | 4.64% | -2.15% | 0.19% |
| South Korea | KRW | 2,108 | 0.71% | 3.88% | -4.07% | -1.05% |
| Taiwan | TWD | 11,621 | 0.68% | 6.21% | -3.13% | 8.30% |
| Brazil | BRL | 95,056 | -0.71% | 8.76% | -17.80% | -5.85% |
| South Africa | ZAR | 50,175 | 0.51% | 7.80% | -1.26% | -3.88% |
| **Foreign Exchange** | | | | | | |
| AUDUSD | Currency | 0.6903 | 0.54% | 3.54% | -1.68% | -1.67% |
| AUDGBP | Currency | 0.5567 | -0.28% | 3.14% | 5.19% | 0.68% |
| AUDEUR | Currency | 0.6145 | 0.62% | 2.30% | -1.81% | -0.44% |
| AUDCNY | Currency | 4.88 | 0.54% | 2.95% | -0.26% | 1.31% |
| **Commodities** | | | | | | |
| LME ALUMINUM 3MO ($) | USD/mt | 1,620 | 0.65% | 4.62% | -10.52% | -10.03% |
| LME COPPER 3MO ($) | USD/mt | 6,015 | 0.90% | 11.88% | -2.58% | 0.37% |
| LME NICKEL 3MO ($) | USD/mt | 12,805 | -0.01% | 3.90% | -8.70% | 0.91% |
| SILVER FUTURE Sep20 | USD/oz | 18.64 | 3.17% | 0.29% | 2.62% | 18.52% |
| ICE Newc Coal Fut Jul21 | USD/mt | 65.25 | 0.08% | 6.70% | -10.25% | -17.04% |
| Iron Ore Spot Price Index 62% | USD/t | 98.01 | -0.21% | 3.65% | 14.00% | -12.99% |
| Gold Spot $/Oz | USD/oz | 1,781 | 0.46% | 2.93% | 17.38% | 26.35% |
| WTI Oil | USD/bbl | 39.27 | -1.08% | 9.57% | -32.65% | -29.57% |
| Henry Hub | USD/mmBtu | 1.64 | 0.00% | -3.53% | -21.53% | -32.23% |
| Corn | USD/Bu | 338.50 | 3.75% | 3.91% | -12.70% | -19.45% |
| Wheat | USD/Bu | 490.00 | 0.93% | -5.90% | -12.30% | -7.20% |
| **Fixed Interest** | | | | | | |
| ***10-Yr Bond Yield*** | | | | | | |
| Australia | AUD | 0.87% | -0.01% | -0.02% | -0.50% | -0.45% |
| US | USD | 0.66% | +0.03% | +0.00% | -1.26% | -1.35% |
| Germany | EUR | -0.45% | +0.02% | -0.01% | -0.27% | -0.13% |
| Japan | JPY | 0.03% | +0.01% | +0.02% | +0.04% | +0.19% |
| Italy | EUR | 1.26% | -0.04% | -0.22% | -0.15% | -0.84% |
| ***Australian Rates*** | | | | | | |
| Cash Rate | AUD | 0.25% | +0.00% | +0.00% | -0.50% | -1.00% |
| 90-Day BBSW | AUD | 0.11% | +0.00% | +0.00% | -0.81% | -1.10% |
| 180-Day BBSW | AUD | 0.16% | +0.00% | -0.01% | -0.87% | -1.04% |
| **CBOE Options** | | | | | | |
| CBOE VIX (Volatility Index) | Index | 30.43 | -4.25% | 10.61% | 120.83% | 101.79% |

Data as of 30 June 2020

**Global Markets Update:**

• **US markets.** US markets were stronger in the month, with the Dow Jones up +1.69% and S&P500 up +1.84%, as investors looked past concerns over a second coronavirus wave and focused on reopening of economies, better-than-expected economic data and potential new stimulus measures.

• **Long-dated US treasury yields** were mixed, with the 2-Yr yield higher at 0.15% and 10-Yr yield steady at 0.66%.

• **European markets.** European markets were stronger with the Stoxx Europe 600 Index up +2.85%, UK FTSE up +1.53% and German DAX up +6.25%.

• **Asian markets.** Asian markets were higher over the month, with the Nikkei up +1.88%, KOSPI up +3.88%, and the Shanghai Composite rising +4.64%.

• **Commodities.** Over the month, WTI oil price gained +9.57% to US$39.27/bbl, iron ore prices increased +3.65% to US$98.01 per tonne and spot gold gained +2.93% to US$1,781 per ounce.

• **ASX performance.** The ASX200 gained +2.47%.

**In political news:**

• Over 60 countries including the U.S. saw a series of protests and unrest as a response to the killing of George Floyd, an African American man who died during an arrest.

• China's top legislative body unanimously voted to pass Hong Kong's national security legislation and the Trump administration suspended some trade benefits for the city over the new national security law.

• ECB expanded its Pandemic Emergency Purchase Program by a bigger-than-expected 600bn euros to 1.35 trillion euros and extended it at least until the end of June 2021.

• OPEC and its allies agreed to extend historic oil output curbs by an extra month, however, Saudi Arabia denied to continue its additional, deeper output curbs after June.

**In economic news:**

• **Australian RBA decision.** RBA kept its cash rate unchanged at 0.25%, with RBA's Governor Philip Lowe noting that it's possible the depth of the downturn will be less than previously expected.

• **Global growth outlook.** IMF downgraded its outlook for the coronavirus-ravaged world economy, projecting a significantly deeper recession and slower recovery than it anticipated just two months ago (IMF now expects global GDP to shrink 4.9% this year, more than the 3% predicted in April and is forecasting growth of 5.4% in 2021, down from 5.8% previously). World Bank warned the global economy will contract -5.2% this year, the most since World War II, before rebounding in 2021 with per-capita output expected to contract in more than 90% of countries this year, the biggest share since 1870. Organization for Economic Cooperation and Development (OECD) expects the global economy to slump 6% this year (based on a scenario of the virus continuing to recede) and anticipates that a second wave of infections could cause the global economy to contract by 7.6% in 2020.

• **U.S.** The Fed kept interest rates unchanged at 0-0.25%, projected interest rates will remain near zero through 2022 and pledged to maintain at least the current pace of asset purchases. Fed expects the U.S. economy to contract by 6.5% in 2020 before expanding by 5% in 2021.

• US manufacturing PMI for June increased to 49.6 from 39.8 in May, consumer confidence rose to 98.1 in June from 85.9 in prior month and jobless claims for the week ending June 20 came in at 1.48m, topping economists' expectation of 1.32m.

• **Australia.** Economy contracted in the first three months of the year, with GDP falling 0.3% qoq, the first quarterly drop since 2011 and unemployment in May rose to 7.1%, the highest since October 2001.

• **China.** The country posted a record trade surplus of $62.93bn in May. China's official manufacturing PMI for June came in at 50.9.

• **Europe.** Euro zone PMI increased to 47.5 in June from 31.9 in May and economic sentiment improved to 75.7 in June from 67.5 in May.

• **U.K.** BOE held interest rates steady at 0.1% and added another GBP 100bn to its quantitative easing program, taking the total value of its Asset Purchase Facility to GBP 745bn.

• **Japan.** Exports plunged -28.3% in May and BOJ raised the estimated size of its special lending program to about 110 trillion yen from 75 trillion yen.

**On stock specific news (which caused significant intraday moves during the month):**

• **AMP Ltd (AMP) -** gained +7.9%, after reporting that it has received all the required regulatory approvals for the sale of AMP Life to Resolution life and expects the transaction to complete on 30 June.

• **Austal Ltd (ASB)** - gained +9.5%, after winning a $50m Defence Production Act Title III Agreement from the U.S. Department of Defence.

• **Carsales.com Ltd (CAR)** - gained +6.2%, after reporting preliminary adjusted FY20 NPAT of A$134-138m.

• **Challenger Ltd (CGF) -** declined -9.8%, following a discounted $270m capital raise.

• **Collins Foods Ltd (CKF) -** surged +12.7%, after reporting FY20 revenue of A$981.7m, up +8.9% yoy and underlying profit of A$47.3m, up +5.1% yoy.

• **Cromwell Property Group (CMW) -** gained +8.0%, after Singapore's ARA Asset Management launched a $520m proportional takeover bid for the Company.

• **Fisher & Paykel Healthcare Corp Ltd (FPH) -** gained +6.9%, after reporting a +37% yoy increase in FY20 profit to $NZ287.30m.

• **Harvey Norman Holdings Ltd (HVN) -** gained +7.3%, after reporting strong YTD growth of +7.4% in its Australian operations and declaring a special dividend of 6cps.

• **Healius Ltd (HLS) -** surged +19.0%, after getting into a binding agreement to sell the Healius Primary Care business to PE firm BGH Capital for an enterprise value of A$500m on a cash and debt free basis.

• **James Hardie Industries (JHX) -** gained +7.3%, after increasing guidance range for 1Q North America Adjusted EBIT margin to 27-29% from 22-27%.

## Australian Equity Markets

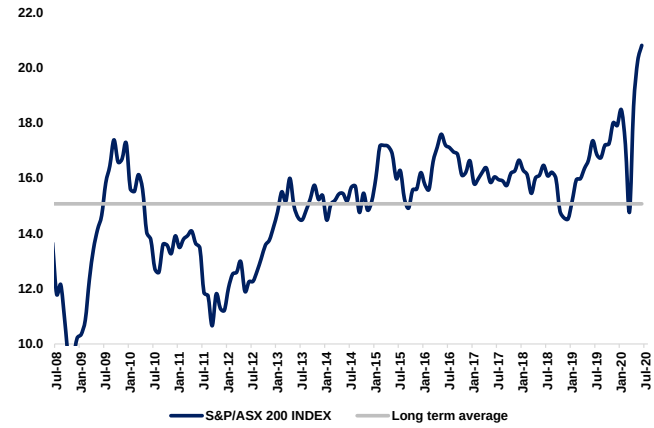
**Top 10 Monthly Contributors**

| ASX 200 Stock | Ticker | Performance 1mth perf | 6mth perf | 1yr perf |
|---|---|---|---|---|
| AFTERPAY LTD | APT | 28.6% | 108.3% | 143.3% |
| HEALIUS LTD | HLS | 25.5% | 10.5% | 1.0% |
| BORAL LTD | BLD | 21.9% | -15.4% | -26.0% |
| FISHER & PAYKEL HEALTHCARE C | FPH | 18.5% | 55.6% | 121.4% |
| COLLINS FOODS LTD | CKF | 17.8% | 5.7% | 13.5% |
| ADBRI LTD | ABC | 16.9% | -8.1% | -21.3% |
| BANK OF QUEENSLAND LTD | BOQ | 16.4% | -14.9% | -35.3% |
| OZ MINERALS LTD | OZL | 16.3% | 3.9% | 9.3% |
| RESMED INC-CDI | RMD | 16.1% | 25.8% | 60.4% |
| JB HI-FI LTD | JBH | 15.9% | 14.2% | 66.5% |

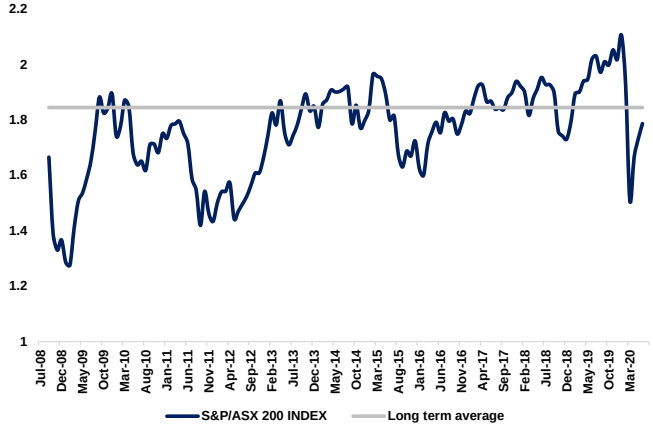
**Bottom 10 Monthly Detractors**

| ASX 200 Stock | Ticker | Performance 1mth perf | 6mth perf | 1yr perf |
|---|---|---|---|---|
| SOUTHERN CROSS MEDIA GROUP L | SXL | -25.5% | -70.3% | -80.3% |
| NUFARM LTD | NUF | -24.3% | -29.4% | -0.2% |
| ORORA LTD | ORA | -23.3% | -36.1% | -37.3% |
| WHITEHAVEN COAL LTD | WHC | -21.0% | -45.8% | -60.9% |
| WEBJET LTD | WEB | -19.8% | -64.9% | -66.4% |
| CORPORATE TRAVEL MANAGEMENT | CTD | -19.2% | -52.7% | -56.9% |
| MESOBLAST LTD | MSB | -18.8% | 56.3% | 120.3% |
| BEGA CHEESE LTD | BGA | -16.7% | 3.0% | -6.9% |
| OOH!MEDIA LTD | OML | -15.7% | -69.3% | -71.4% |
| FLIGHT CENTRE TRAVEL GROUP L | FLT | -15.0% | -72.0% | -70.3% |

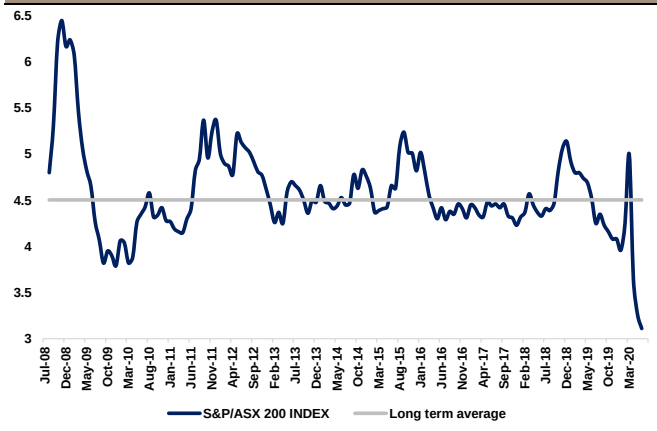
**Forward Price to Earnings of 20.8x**



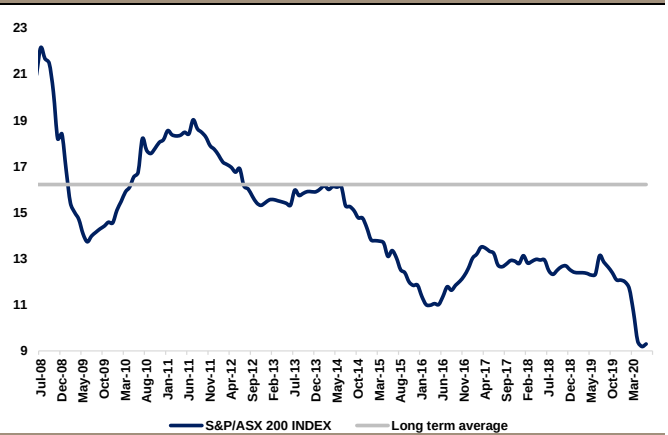

**Forward Price to Book of 1.78x**



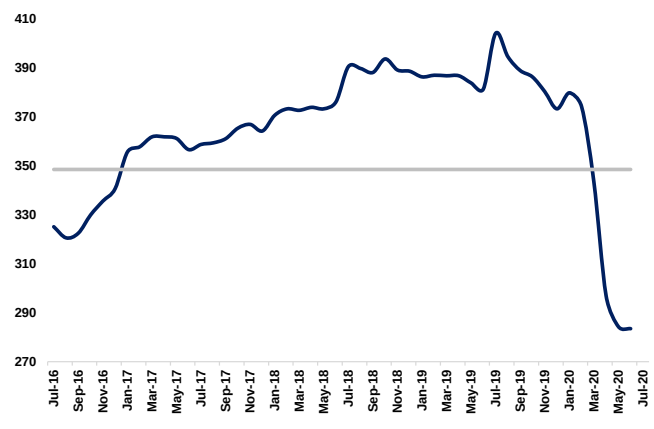

**Forward Dividend Yield of 3.11%**



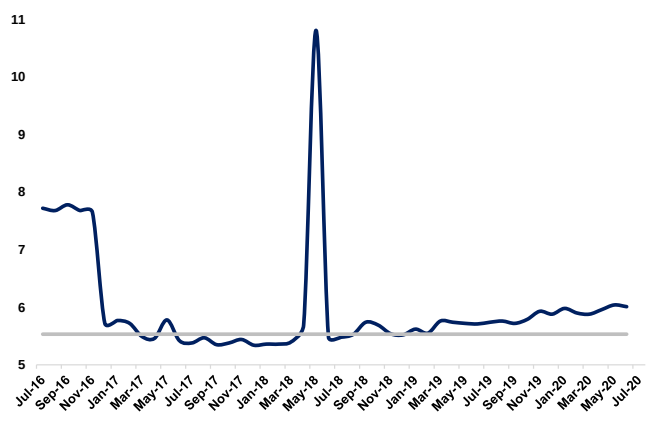

**Forward Return on Equity of 9.3%**




**Earnings per share of 283.47**

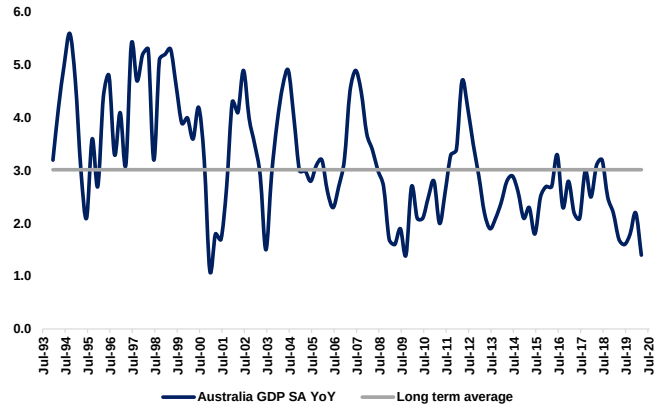



**Net Debt to EBITDA of 6.01x**

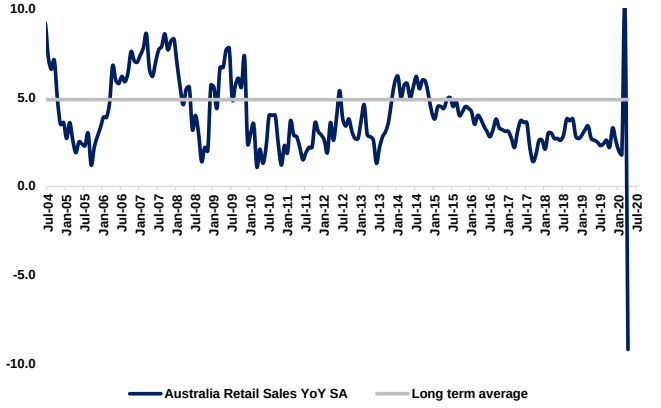



Source: ABS; RBA; Thompson Reuters; Bloomberg

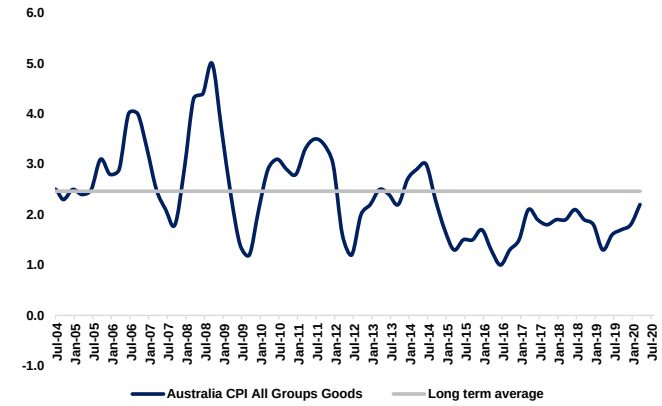
Real GDP (yoy %, sa) is currently at 1.4%



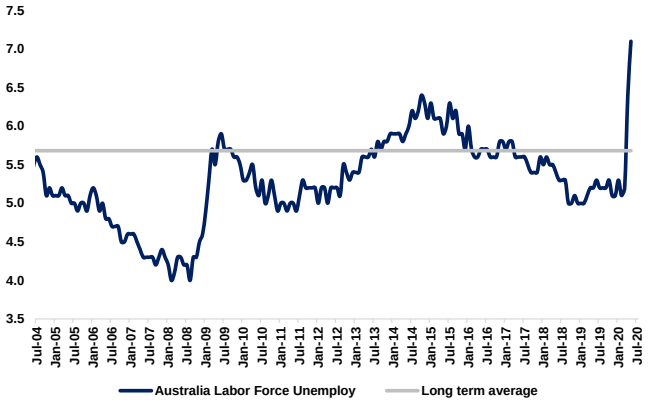

Retail Sales (yoy %, sa) is currently at -9.2%



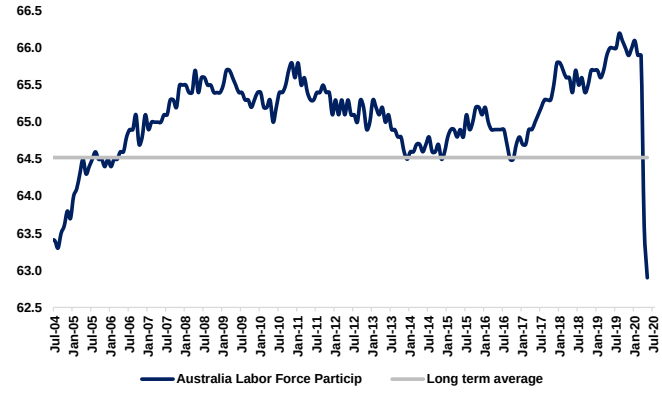

Consumer Price Index (yoy %) is currently at 2.2%



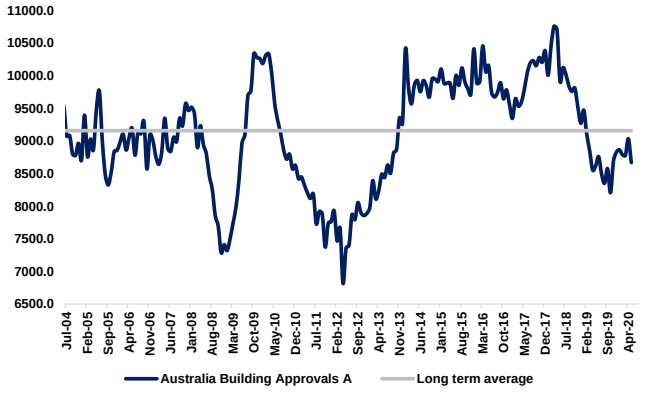

Unemployment Rate (%, sa) is currently at 7.1%



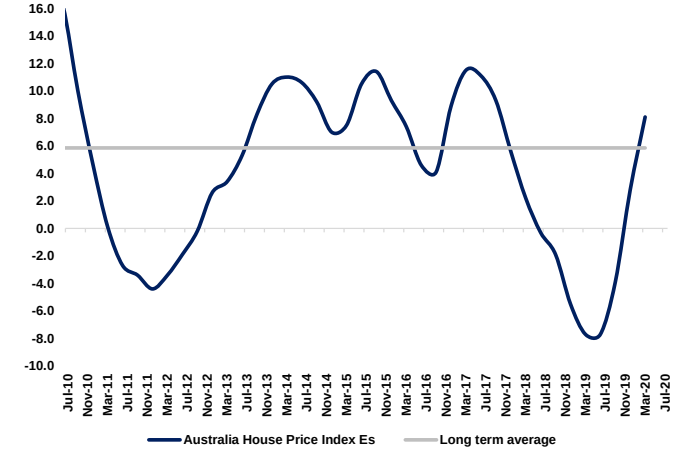

Labor Force Participation Rate (%, sa) is currently at 62.9%



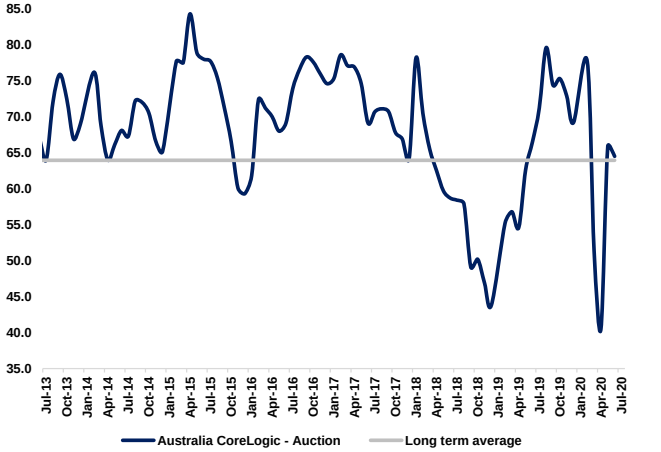

Building Approvals for Total Dwelling Units (sa) is currently at 8670 units




House Price Index for Established Homes (yoy %) is currently at 8.1%

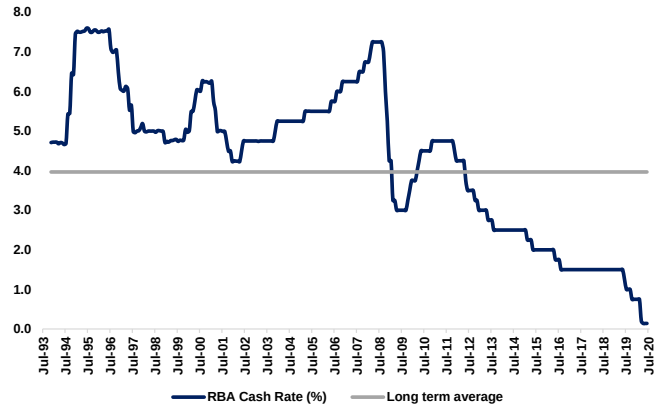



Australia Auction Clearing Rates (%) is currently at 64.5%

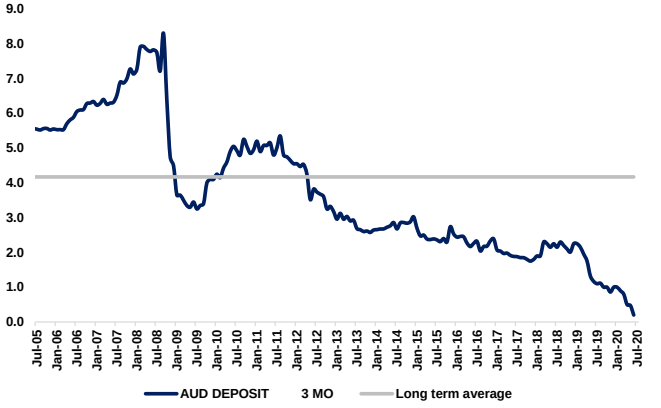



Source: ABS; RBA; Thompson Reuters; Bloomberg

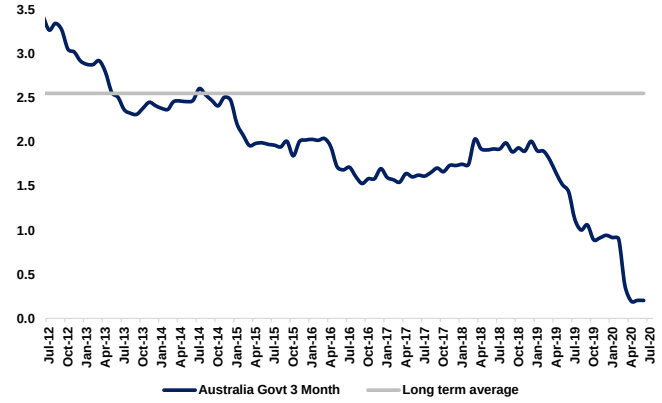
RBA Cash Rate (%) is currently at 0.25%



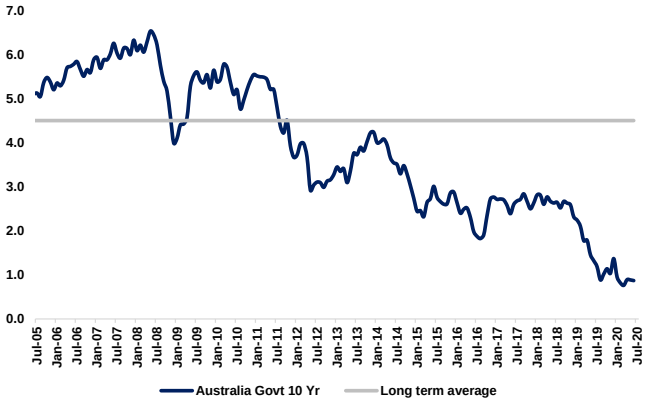

3-Month Deposit Rate (%) is currently at 0.2%



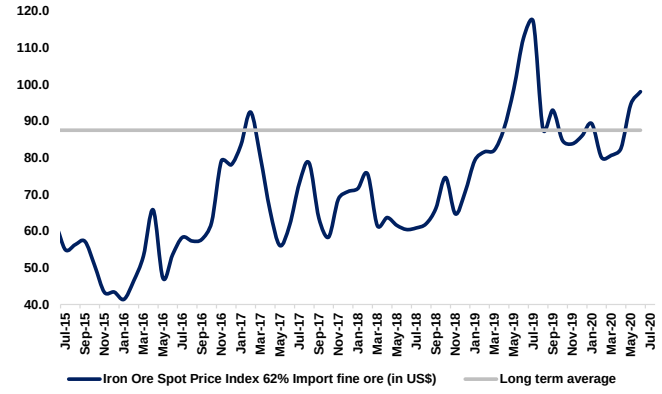

Three-Month T-Bill Rate (%) is currently at 0.204%



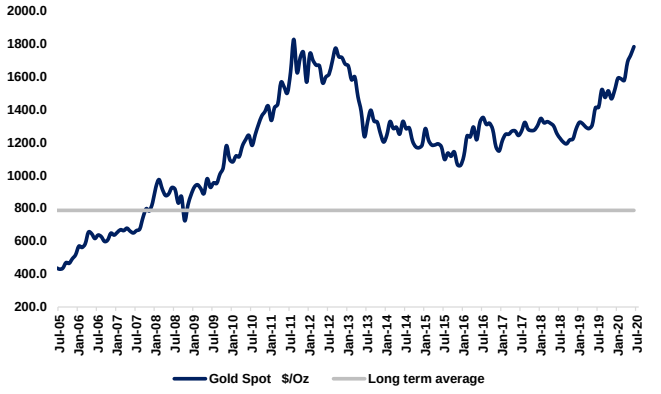

10-Year Government Bond Yield (%) is currently at 0.87%



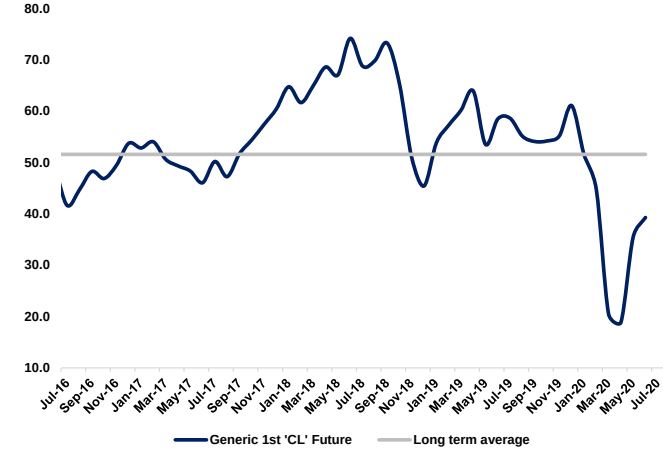

Iron Ore Spot Price Index 62% Import fine ore (in US$) is currently at US$98.01



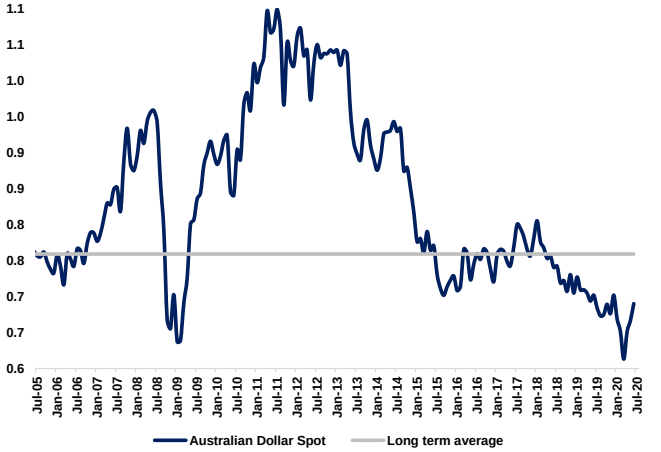

Gold spot price (US$/oz) is currently at US$1780.96/oz




Crude Oil Futures is currently at US$39.27




AUD/USD Exchange Rate is currently at $0.6903




Source: ABS; RBA; Thompson Reuters; Bloomberg

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