

## FM Financial Update: July 2020

# NEWSLETTER

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### FM Financial Update:

We hope that you are all well and adhering to the social distancing rules.

Once again Victoria is leading the country however, this time in a distressing way. The daily results keep getting worse and the media does nothing but stoke concern in the vulnerable. There has been a significant increase in testing and with this you would expect to find more cases as has been the case. Stage 3 lock down is back in force for Melbournians which again stresses everyone. I must say the vision of the City Towers in full lock down was distressing. Hard to think this is happening in Australia.

Tasmania is remaining clear of the virus which is great news. As a result, our offices are open for by appointment meetings. We are still offering appointments over the phone or by Zoom video should that be what you would prefer. As is the new normal if you have an appointment but are not feeling well please call and reschedule. You will be asked about your health on entering the office and we are recording all visitors should tracing be require.

Given that Melbourne metro is back to stage 3 lock down with the potential for further restriction in the wind, our Melbourne office remains closed. When this changes I will advise you. This really highlights the need to remain focused on social distancing and keeping clean.

Despite all the negativity we have continued to remain in contact with clients, providing our review service and answering client queries. We have noted an increase in client communication which is great, we are here to assist you and answer your questions as it is all part of our service. I thank our staff for their commitment to providing service to our clients under, at times, difficult circumstances. The remote working environment has its challenges. We are very appreciative of our staff's efforts and commitment we could not deliver without it.

### Investment Update:

The 2019-20 financial year has come and gone. It has been a year of contrast we had the rise of the share market culminating with a record high in February followed by a 30% fall and then a recovery in part. Record low interest rates and a highly priced share market with reducing corporate profitability made it hard for investors to gain a fair return. But then came COVID 19 and the focus shifted onto our health and ability to stay safe.

Our Share Market remains active with volatile movements continuing weekly. I noticed this week the market has moved up and down over 200 points at times.

The full impact of COVID 19 on the Australian economy is unknow and now we add Melbourne going back to stage 3 and the other states closing the borders the future is more uncertain. We



know unemployment has risen, and there are fears it will rise further when government support programs end in coming months.

- Cash rates are at record lows and will stay at these levels for years to come.
- Inflation is weak and will not return to RBA target ranges for some time.
- Share markets are vulnerable to volatility as we are seeing.
- Central bank balance sheets and government debt levels will remain elevated for years to come.

So, it appears that the “lower for longer” environment investors had been grappling with prior to Covid-19 will remain with us for some time.

There is however continued optimism from the experts that we will recover this year, although all hedge their bets by stating that volatility will continue up until the US election and most expect some correction in the coming months. They have moved from a V shaped recovery to a Nike swish recovery, interesting imagery.

Brad Matthews, our investment consultant, has written a short piece about the upcoming dividend season following the end of the 2019-20 financial year. The news is not great which again highlights the purpose of our strategy in holding 12 plus months of drawings in cash funds inside your investment to buffer when the unexpected happens. The article is on our website should you like to read it.

On a more positive note, I was talking to a B&B owner in Tasmania recently who advised that his home business is fully booked through until October 2020, so we are traveling locally which is so important for the local tourist industry.

#### **The Next Month:**

- Tasmania remains open for client meetings by appointment.
- Victoria is still a 4-6 weeks away.
- We will continue to be guided by the governments and health experts in each state.
- Market volatility will remain, and we can expect to see and hear more bad news about sections of the economy.
- The good news is our governments have demonstrated a willingness to provide strong support to businesses and individuals to help them survive and are making the hard decisions on protecting their states. You only need look to the US to see the difference in approach.

As always, we wish you and your families health and happiness and hope that we can all return to life without restriction soon. Please remember if you have any concerns about your financial investments please contact our office.

Best Regards

**Denis Harrington | Managing Director**

