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July 2020 Market Wrap

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Friday night was all about Blowout numbers and upbeat commentary from Apple (AAPL), Amazon.com (AMZN) and Facebook (FB) last night may have just put all of the peak US, Large Cap, Tech skeptics to bed?

Shares of Apple Inc. AAPL 10.47% got a big bounce after the tech giant revealed plans late Thursday to execute a 4-for-1 stock split later in August. In that case, the company will quadruple its number of shares outstanding and hand out the extra shares to existing investors, dividing the price of an original share by four but leaving the company's market valuation unchanged. The stock rose 10% to \$425.04 on Friday, extending its gain so far this year to 45% after the iPhone maker also reported stronger-than-expected earnings on robust sales of apps and its work-from-home devices. The company added about \$172 billion in market value, a one-session gain that tops the size of Oracle Corp., Chevron Corp. and McDonald's Corp.

While the split won't affect Apple's valuation, which swelled to \$1.817 trillion on Friday, it has implications for investors, as well as for two of the stock indexes in which Apple resides: the Dow Jones Industrial Average and the S&P 500 index.

The global economy continues to build on its recovery, but the drivers are now changing, with Europe and Emerging Markets ex China now catching up to the significant progress that US and China had already made.

Turning to the domestic economy, economic conditions in Australia had weakened significantly since the start of the year, but the downturn had been less severe than feared a few months earlier. Consumer spending in May and June had been stronger than expected, and had also held up better than in most other countries. Manufacturing and construction activity had also been less affected in Australia than elsewhere. Similarly, the contraction in the labour market had been less severe than expected in May. Nevertheless, the shock to the Australian economy would be the most severe since the 1930s, and the outlook remained highly uncertain as it depended in large part upon containment of the pandemic.

In Australia, government assistance – particularly the JobKeeper and JobSeeker programs – was playing an important role in supporting household incomes and consumption.

The Australia dollar has pushed to the top of its 52 week trading range at around 0.71 cents, due to the extent of policy easing by the Federal Reserve had seen the US dollar depreciate over recent months.

The Reserve Bank's package of policy measures, which had been working broadly as expected. The cash rate had continued to trade at around 13–14 basis points amid ample Exchange Settlement balances, and investors expected it to remain around this level for some time. Three-



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year Australian Government bond yields had been stable at the target of around 25 basis points and government bond markets had continued to function smoothly.

Funding costs for Australian banks had been at historic lows and the banks had ample access to funding. Interest rates on business loans had declined to historically low levels.

Interest rates on Australian housing loans had declined to historically low levels. Around half of the decline in the cash rate since February had been passed through to variable mortgage rates. Refinancing activity had risen sharply as borrowers had taken advantage of lower rates and the strong competition for lower-risk borrowers. Interest rates on new fixed-rate mortgages were noticeably lower than on new variable rate mortgages, which had led to an increasing share of new or refinanced loans on fixed rates.

Timely indicators of economic activity had generally picked up, suggesting that the worst of the global economic contraction had passed. However, the outlook remained uncertain and would depend upon containment of the virus.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+2.33%	-0.21%	-7.39%
Nasdaq	+5.27%	+34.25%	+19.76%
S&P 500	+4.51%	+11.56%	+1.25%
Russel 2000	+3.39%	-3.47%	-11.27%
Europe 600 Index	-2.49%	-5.77%	-14.31%
UK FTSE 100 Index	-4.22%	-20.38%	-21.81%
Hong Kong Hang Seng	-3.07%	-8.63%	-12.75%
Japan Nikkei 225	-2.67%	+2.95%	-8.23%
China Shanghai Composite	+4.99%	+15.42%	+8.52%
ASX 200 (Australia)	+0.51%	-12.42%	-9.97%

Australian Dollar

	Close	52 week Range
AUD	0.7139%	0.5512-0.7199%

Government Bonds

	Close	52 week Range
US 3 Month	0.096%	-0.076-2.103%
US 10 Years	0.535%	0.380 – 2.061%
US 30 Years	1.198%	0.692 – 2.56%
Australia 10 years	0.828%	0.570-1.717%

Source: Wall Street Journal.