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2020 November Market Wrap

Sunday 1 December 2020

Stocks slipped Monday but closed out November with hefty gains, capping a furious month-long rally fuelled by bets that scientists are closer than ever to finalizing Covid-19 vaccines to fight the pandemic. The Dow Jones Industrial Average rose 12%, marking its best month since January 1987. The S&P 500 soared 11% for its best showing since April, while the Nasdaq Composite climbed 12%. The S&P/ASX 200 posted its best month since June 2000, rising 10% and moving into positive territory year to date for the first time since February. The big themes across global equity markets this month, Australia's included, were astonishing returns in Energy companies, a strong uptick in Financials, and a related resurgence in Value stocks. The broadening of the rally is shown best by the Russell 2000 index up 16.02 for the month.

Signs that President-elect Joe Biden will make a relatively smooth transition into the White House have also helped ease some of the political uncertainty that had fed into heightened market volatility in the fall.

The markets are now looking to Bidenomics for direction, some of what we can expect:

- Jobs and wages and industry "Build Back Better Plan"
- Taxation -redistribution income through the taxation system
 - Corporate tax rate to 28%, Top marginal tax rate to 39.6%, profit earned by foreign subsidies of US firm to double to 21%.
 - Estimate Cost 2.3 Trillion over 10 years
- Health and Education
 - universal pre-school, the expansion of tuition-free colleges and US\$10,000 student loan debt 'forgiveness'.
 - Obamacare care expanded Cost 2.3 trillion over 10 years
- Climate change and energy policy:
 - Proposing US\$1.7 trillion federal investment in green technologies research; wants the US to reach net zero emissions by 2050 and says the US will re-join the Paris Climate Accord.
- Infrastructure: So far Mr. Biden has announced a US\$2 trillion building plan

The Balance higher taxes slow growth bigger spending the markets like. The level of Debt is for the next generation to deal with.

Reserve Bank goes 'all in'

Reserve Bank Board meeting

- Interest rates: The Reserve Bank (RBA) has cut its target rates for the cash rate and 3-year government bond yield from 0.25 per cent (quarter of a per cent or 25 basis points) to 0.10 per cent.
- Further measures: A reduction in the interest rate on new drawings under the Term Funding Facility to 0.1 per cent; a reduction in the interest rate on Exchange Settlement balances to zero; the purchase of \$100 billion of government bonds of maturities of around 5 to 10 years over the next six months.



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- Commitment: "The Board is not expecting to increase the cash rate for at least three years."

Light in the tunnel gets brighter

- The JobKeeper and JobSeeker schemes are working as intended. The wage support schemes are designed to support people in lockdown (or the hibernation period). Once lockdowns end, people return to their businesses and employers. And life resumes. Not all businesses are yet able to be take back staff – especially those buffeted by border closures. But as more people with jobs start spending (with pay packets boosted by tax cuts), business income and profitability will start lifting, meaning greater demand for workers.
- Economic recovery is in everyone's hands. Consumers need to spend; business needs to respond to incentives and take back existing workers as well as take on new workers. Governments and the Reserve Bank have already done their bit by providing the stimulus and incentives.

If you have any questions do not hesitate to contact me.

Stay Safe and Healthy

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+10.08%	+6.68%	+3.68%
Nasdaq	+11.33%	+42.38%	+35.96%
S&P 500	+9.41%	+16.31%	+12.10%
Russel 2000	+16.02%	+13.02%	+9.07%
Europe 600 Index	+11.93%	-2.91	-6.37%
UK FTSE 100 Index	+10.81%	-14.00%	-16.92%
Hong Kong Hang Seng	+7.69%	-0.39%	-6.56%
Japan Nikkei 225	+13.47%	+12.34%	+11.74%
China Shanghai Composite	+5.17%	+17.94%	+11.20%
ASX 200 (Australia)	+1.93%	-11.12%	-9.09%

Australian Dollar

	Close	52 week Range
AUD	0.7359%	0.5512-0.7414%

Government Bonds

	Close	52 week Range
US 3 Month	0.090%	-0.076-1.598%
US 10 Years	0.845%	0.380 – 1.950%
US 30 Years	1.569%	0.692 – 2.42%



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Australia 10 years	0.909%	0.570-1.717%
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Source: Wall Street Journal.