

22<sup>nd</sup> May 2020

**Market Update: April 2020**  
**Strategic Wealth Investment Committee**

**April 2020 Market Update & June Webinar Notice**

We have attached a copy of the Strategic Wealth Market Update for April 2020 for your reading. It is a factual account of the market performance over April along with a summary of the historical performance of the various asset classes over a range of periods up to ten years.

We would also like to advise you that we have set a date for the next Strategic Wealth Market Update Webinar namely, Tuesday, June 9th at 4pm. We have secured a very special international guest speaker from the Global Equities sector for this Webinar. You will not want to miss this speaker and we will provide further details on the Webinar late next week.

Please do not hesitate to call us if you have any questions about the Market Report or your personal circumstances.

Take care and stay well.

Kind regards,

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**Strategic Wealth Pty Ltd**  
**Authorised Representatives**  
**Oreana Financial Services**  
**Australian Financial Services Licensee**

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April marked a strong reversal in the negative sentiment from the prior month, as the general public shutdowns/lockdowns around the world, implemented due to COVID-19 in March, began to demonstrate success in slowing the spread of the virus. This drove expectations of an easing in restrictions and increased optimism for an economic recovery. There was also a boost to equity market sentiment from the unprecedented monetary and fiscal stimulus measures announced globally during late March and into April.

Both developed markets and emerging markets experienced positive returns, with small cap and mid cap equities benefitting most out of the rally. Oil prices continued to fall during April with WTI Crude dropping 8% even as OPEC and Russia negotiated a 20% supply reduction, which cut global production by 9.7M barrels per day. Also, for the first time in history, oil futures for delivery in May briefly fell into negative, as the supply glut and storage capacity constraints meant producers were willing to pay traders to take oil. Monetary policy action also restored some confidence and reduced volatility in the bond markets, with corporate bonds outperforming Government bonds. Investment grade credit posted the strongest bond returns over the month whilst most Government bond yields continued to trend marginally lower. The Australian dollar also rose significantly during the month as more positive sentiment took hold in markets.

The US equity market continued its recovery from its lows in late March and both the S&P 500 Index (+13%) and Dow Jones Industrial Average (+11%) experienced their largest monthly gains in decades. In stark contrast, US economic data continued to weaken across all measures of economic activity. The US labour market further deteriorated, with the initial unemployment claims exceeding well over 30 million by the end of the month. The unemployment rate for April skyrocketed to 14.7%, the worst figure since the Great Depression. The consumer sector and industrial production also posted their largest declines in decades as retail sales slumped 8.7% and manufacturing output dropped 6.3% in March.

European markets also advanced as some countries began to relax lockdown restrictions towards the end of April or communicated plans to relax restrictions in the coming months. Preliminary data showed that economic growth in the Eurozone contracted by 3.8% quarter-on-quarter for the March quarter, but further falls are expected in the June quarter as most lockdown measures were implemented in late March. Europe saw sharp falls in business activity with the Purchasing Managers Indices (PMI) in April at their lowest recorded levels since the survey began in 1992. Consumer and business sentiment also declined significantly in March. Similarly, in the UK, economic data has been very weak with the PMI at record lows and sharp falls in consumer and business confidence. Towards the end of the month, the UK Prime Minister Boris Johnson returned to work after recovering from COVID-19 and declared that the UK was "past the peak" and the government was planning to ease lockdowns and restart the economy. The MSCI UK Index finished up 3.4% over the month.

The MSCI World Index ex-Australia (hedged into AUD) rose 10% over the month. In developed markets, Austria (15.3%) and USA (13.2%) outperformed the broader market, while Portugal (1.6%) and Spain (1.7%) lagged significantly. Within emerging markets, South Africa (16.4%) and India (15.3%) outperformed the broader emerging markets Index while Indonesia (2.4%) and Morocco (-2.3%) underperformed.

Domestically, the Australian market followed the optimism surrounding global equities and ended the month with the S&P/ASX 300 Accumulation Index up 9%. Consistent with other global economies dealing with the impacts of COVID-19, Australia recorded sharp falls in business confidence, the PMI surveys and employment. The RBA held cash rates steady at 0.25% and continued to reaffirm its monetary policy support of the economy during the COVID-19 pandemic. This included the RBA's bond purchasing program aimed at maintaining bond yields at target levels and liquidity in the market, as well as open market operations to support credit and maintain low funding costs in the economy.

All domestic equity sector returns were positive in April, with Energy (25.2%), Information Technology (21.8%) and Consumer Discretionary (16.4%) achieving the largest gains during this risk-on environment. The defensive sectors were generally the worst performing, with Consumer Staples (2.6%), Financials (2.9%) and Utilities (3.2%) lagging the broader market Index. Overall, large caps underperformed small and mid-cap stocks over the month.

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The Australian Dollar appreciated against most of the major developed market currencies over the month, increasing 7.0% relative to the US Dollar and 7.2% relative to the Euro. Australian bonds underperformed the overseas bond markets, with yields continuing to fall in a number of major economies while in Australia yields rose. The US 10-year bond yield ended the month at 0.62%, the Australian 10-year at 0.89% and the UK 10-year at 0.23%.

Market Performance - 30 April 2020	Month	Quarter	FYTD	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
Australian Equities	9.0%	-20.4%	-13.8%	-9.1%	2.0%	3.5%	5.9%
Australian Unlisted Property - estimated	0.5%	-1.1%	1.9%	3.1%	7.8%	9.6%	9.2%
Australian Listed Property	13.7%	-29.7%	-25.0%	-20.1%	-1.4%	3.3%	8.2%
Global Listed Property (Hedged into AUD)	6.2%	-25.0%	-18.9%	-18.2%	-1.4%	1.1%	7.8%
Overseas Equities (Hedged into AUD)	10.0%	-12.7%	-5.0%	-5.3%	5.1%	6.2%	10.6%
Overseas Equities (Unhedged into AUD)	3.7%	-9.5%	3.3%	4.1%	10.6%	9.7%	12.4%
Emerging Markets (Unhedged into AUD)	2.1%	-10.5%	-4.0%	-5.0%	5.5%	4.1%	5.5%
Australian Bonds	-0.1%	0.6%	3.6%	6.4%	5.5%	4.5%	5.9%
Overseas Bonds (Hedged into AUD)	1.5%	1.0%	4.4%	7.2%	4.6%	4.3%	6.2%
Cash	0.0%	0.2%	0.8%	1.1%	1.6%	1.8%	2.8%
Australian Dollar vs. US Dollar	7.0%	-2.2%	-6.7%	-7.0%	-4.3%	-3.7%	-3.5%



Source: FactSet / JANA

### General Advice Warning

This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial and tax/or legal advice prior to acting on this information.