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August 2020 Market Wrap

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Another great month for the stock market, US Stocks post biggest monthly gains since April up 7% for the month – its best August since 1986. All three major U.S. stock indexes have climbed for five consecutive months after a brutal February and March that ended the longest bull market on record. The benchmark S&P 500 has surged 35% over that period, its largest five-month percentage gain since 1938. The S&P/ASX 200 completed a fifth consecutive month of gains with a total return of 3% for August. The benchmark has gained 19% in price terms since March, the best five-month period since 2009, but another 18% gain is required to recover February's all-time-highs.

We have also seen a backup in bond yield in part due to comment by US Fed governor Jerome Powell. Powell gave more detail on a well-flagged shift in philosophy towards inflation. The previous target of 2% - will now be viewed as an average over time. This means it will not pre-emptively tighten rates and will allow inflation to run at more than 2% for a period — meaning lower rates for longer. There was no guidance on how far — or how long — they will allow inflation to run. While this is an important signal, it does not automatically entrench the return of inflation. This will be determined by the interplay of fiscal and monetary over time.

US Presidential Race just got real with Biden's lead over Trump cut from 60-40 to something closer to 55-45. It appears Trump pushing himself as the law and order Presidential as struck a chord with voters, with continued riots, looting and demonstrations turning violent. Clearly the US is currently deal with much hate and divide around the social justice movement. This election is much closer than a few months ago

The Australian dollar has broken out of its 52 week trading range. The AUD traded higher on higher commodities and also helped by positive view on real assets in response to increased inflation risk. The AUD was last this high in 2018, when it peaked at 0.8040 cents then grinding it way lower for two years to hit 0.5512 (Mar-2020).

As Australians deal with the coronavirus, the economy is being supported by the substantial, coordinated and unprecedented easing of fiscal and monetary policy. The Australian Government's recent announcement that various income support measures will be extended is a welcome development and will support aggregate demand. It is likely that fiscal and monetary stimulus will be required for some time given the outlook for the economy and the labour market.

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	+6.62%	+7.68%	-0.38%
Nasdaq	+8.00%	+34.25%	+19.76%
S&P 500	+6.24%	+19.61%	+8.34%
Russel 2000	+3.66%	+4.48%	-6.39%
Europe 600 Index	+0.79%	-3.72%	-11.86%
UK FTSE 100 Index	+1.12%	-17.26%	-20.93%
Hong Kong Hang Seng	+2.94%	-1.75%	-10.69%
Japan Nikkei 225	+4.25%	+12.22%	-2.18%
China Shanghai Composite	+0.82%	+16.13%	11.33%
ASX 200 (Australia)	+0.51%	-12.42%	-9.97%

Australian Dollar

	Close	52 week Range
AUD	0.7379%	0.5512-0.7401%

Government Bonds

	Close	52 week Range
US 3 Month	0.112%	-0.076-2.031%
US 10 Years	0.706%	0.380 – 1.967%
US 30 Years	1.477%	0.692 – 2.44%
Australia 10 years	1.020%	0.570-1.717%

Source: Wall Street Journal.