Antipodean Advisory

Antipodean Private Pty Ltd
133 Alexander Street
Crows Nest NSW 2065
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com
Web: www.antipodeanadvisory.com

2020 December Market Wrap Friday 1 January 2020

Happy new Year.

It's fair to say people have never been more excited to turn the calendar … Good riddance 2020… From a markets perspective, this year was truly "unprecedented" on a multitude of fronts.

The world faced a global pandemic causing a virtual total shutdown of the economy, AND amidst all of this the Equity market would finish up, S&P 500 +16.3%, Russell 2000 +18.48% Nikkei +16.01%, Shanghai +12.57% on the year. The Russell index showing the broadening out of performance outside the FANG. This is crazy but a clear sign of the strength and resilience of the world to react and take positive action for the collective good.

A 1% gain in December finished a strong final quarter for the S&P/ASX 200. Despite its 37% peak to trough decline in the first part of the year, the Australian benchmark completed 2020 with a positive total return; including dividends, it added 1%. Smaller Australian firms had a particularly strong year with mid --, small and micro caps posting 17%, 9% and 27%, respectively over the year.

The V recovery has been playing out. The divergence between sectors has also been large, as businesses with scale and technology have been able to weather the storm and those without have found themselves at or near their breaking point. Will this reverse in 2021, or will this recession leave long-lasting scars?

The dollar weakness trend continued as the USD DXY index fell to its lowest level since April 2018. With the Australian dollar breaking outside it 52 week range and setting new highs around 0.77 cents.

The global outlook remained uncertain. Infection rates had risen sharply in Europe and the United States and the recoveries in these economies had lost momentum or even reversed. However, the news about vaccines had been positive, which should support the recovery of the global economy. The recovery was also dependent on ongoing support from both fiscal and monetary policy. In labour markets in most countries, hours worked were noticeably below pre-pandemic levels. Inflation remained very low and below central bank targets.

In Australia, the economic recovery was under way and recent data had generally been better than expected. Consumer spending had risen as restrictions were eased, business and consumer confidence had lifted and housing markets had generally proved resilient. Employment had been recovering strongly and the peak in the unemployment rate was likely to be lower than the 8 per cent rate expected a month earlier. Nevertheless, the recovery was still expected to be uneven and protracted, and it remained dependent on significant policy support and favourable health

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outcomes. It would take some time for output to reach its pre-pandemic level and an extended period of high unemployment was in prospect.

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	+2.13%	+6.02%	+7.25%
Nasdaq	+4.13%	+41.75%	+43.64%
S&P 500	+2.44%	+15.29%	+16.26%
Russel 2000	+6.82%	+18.48%	+18.36%
Europe 600 Index	+1.87%	-4.93%	-4.04%
UK FTSE 100 Index	-0.46%	-15.04%	-14.34%
Hong Kong Hang Seng	+1.88%	-4.60%	-3.40%
Japan Nikkei 225	+2.40%	+16.01%	+16.01%
China Shanghai Composite	+0.90%	+12.57%	+13.87%
India S&P BSE Sensex	+6.99%	+14.71%	+15.75%
ASX 200 (Australia)	1.21%	+1.40%	+1.40%

Australian Dollar

	Close	52 week Range
AUD	0.7700%	0.5512-0.7742%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.078%	-0.076-1.597%
US 10 Years Note	0.919%	0.380 – 1.949%
US 30 Years Bond	1.649%	0.692 – 2.42%
Australia 10 years	0.982%	0.570-1.717%

Source: Wall Street Journal.