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

January 2020 Market Wrap — Monday 3 February 2020

The Australian market had a record month with the S&P/ASX 200 price index crossing the 7000-point threshold for the first time. Led by the largest stocks, the benchmark finished January with a total return of 5%, making it the best start to a year since 2012.

Shrugging off concerns for worsening Chinese growth, the signing of a phase one "US-China trade deal also helped with bullish expectations for earning seasons added to the rally. The Australian dollar also provided a boost by declining below 0.6700 to the bottom of the 52 week range, boosting the local value of foreign earnings for Australia's multinationals.

The Australian residential property market benefited from the RBA rate cuts posting its fastest quarter of growth since November 2009. Gross rental yields continue their trend lower with gross yields in Sydney and Melbourne at 3.00% and 3.3% respectively.

The outbreak of another virus strain from China has markets trying to determine the Global effect. The SARS virus 17 years ago knock about 2% off China's GDP. China accounts for 20% of world GDP, this works out to about a drop of 0.4% of Global GDP. With the SARS disruption in 2003, once the virus was brought under control there was a sharp post-virus rebound.

The market will watch the opening of the China market which has this has been closed for China Luna festivities. With People's Bank of China pledging 150 billion yuan (US$21.7 billion) in liquidity.

Government bond markets have rallied (lower yields) based on the uncertainty of the virus effect on Global markets and growth. This appears to be an effective hedge at the moment, given current market volatility.

There are a number of factors that the markets will be watching moving forward:

- Control and containment of the Coronavirus,
- U.S. and China trade phase 2 deal.
- The re-election campaign of Donald Trump, impeachment trail looks to be giving him a free run.
- The U.K. given it is now free from the European Union. The UK is the world's fifth biggest economy (GDP $2,743,586 (US) million) being about 14% of the GDP of the European Union. The UK will experience short term pain for long term gain, removing a layer of bureaucracy and Government.

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Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-1.32%	+12.74%	-0.99%
Nasdaq	+1.44%	+25.98%	+1.99%
S&P 500	-0.29%	+19.18%	-0.16%
Russel 2000	-2.82%	+7.46%	-3.26%
Europe 600 Index	-1.82%	+14.18%	-1.23%
UK FTSE 100 Index	-4.41%	+3.79%	-3.40%
Hong Kong Hang Seng	-7.52%	-5.79%	-6.66%
Japan Nikkei 225	-1.91%	+18.20%	-1.91%
China Shanghai Composite	-0.95%	+14.41%	-2.41%
ASX 200 (Australia)	-2.17%	+23.40%	+18.38%

Australian Dollar

	Close	52 week Range
AUD	0.6692%	0.6671-0.7296%

Government Bonds

	Close	52 week Range
US 3 Month	1.549%	1.500-2.487%
US 10 Years	1.509%	1.431 – 2.770%
US 30 Years	1.999%	1.903 - 3.136%
Australia 10 years	0.91%	0.864-2.267%

Source: Wall Street Journal.