

One in 100 Year Event

About 90 years ago, Australia recorded its worst Economic decline in our history of 9.1%, yesterday we learnt that Australia recorded its second worst decline in our history of 7%.

The following article says it all – article by Reach Markets.

Economic data today confirmed what everyone already knew, Australia is in recession for the first time this century and nearly three decades since its last. The 7% drop in GDP was worse than most were expecting, with consumption dropping off the proverbial cliff by 12.1%, a particularly sobering number.

Not that the market seems to mind, ticking along quite nicely above 6,000 having regained the lion's share of the COVID-19 carnage in March. The disconnect between the real economy and the market has never been starker, but so too the reason more obvious. Government's massive stimulus package has been doing exactly what it was designed to do, keeping the wheels of the economy greased and the wolves from the door.

The question, as always, is one of timing. The GDP numbers are baking into the rear window, the market is looking forward and it will need to assess the impact on earnings when the unprecedented stimulus begins to be withdrawn.

Perhaps caution will favour the brave. Australia's sovereign wealth fund, for one, is not in any rush to deploy its cash, which has now reached a record high of \$27.4 billion, a 75% increase from the previous quarters cash holding.

If you needed further evidence that we live in strange and unusual times, then the next sentence must be the clincher - this year's AFL Grand Final will be played at the GABBA!

End of Article

Please be reassured that like Australia's Sovereign Fund, we have made the hard decisions for you and increased our cash to meet this challenge. In 38 years of being in practice, I learnt that to protect our clients from the worst effects of any recession, we must take protective measures before the market falls off the cliff.

I want to reassure you, that your funds are in the right hands, right now.

Please don't forget – if you have any questions or concerns, please call either myself or Wayne directly for more information.

William Mills