June 2022 – Market Update

This is a short communique to acknowledge the fact that the world is in turmoil.

If you recall our general broadcast from May, you might remember that we predicted that markets were facing ongoing 'headwinds' in the remainder of 2022.

If you are tracking portfolio values and market indices, it is patently obvious that the current trends are consistently down.

These sharp falls are due primarily to the 'hawkish' actions of central banks raising rates more quickly than anticipated, which is increasing market concerns over economic recession.

IMPORTANT

Our economy currently has full employment, and we 96.1% of us have a job, Australia is selling heaps of Coal and Natural Gas to overseas markets (essentially Europe) to help them with the Energy crisis, and this is providing our governments with windfall profits to help us cope with this crisis.

Our own Energy Crisis will be solved over the next few weeks as the government ensures that more supply is brought online.

Holding our position and why!

Globally we are seeing two trends; therefore, 1. Positions are being sold down and selling appears to be more indiscriminate; 2. Value is underperforming (led by energy and materials) for really the first time this year, and therefore we are seeing the ASX underperform other markets.

Over the past 3- 4 months there has been a "re-rating" downwards of the valuation of equities due to the rise in interest rates (and the expected continuation in the rise of interest rates). This re-rating has been across the board and, in general, has not considered the earning expectations of individual companies.

Both Australian and U.S. central banks are faced with a similar dilemma; the risk of recession versus the need to raise rates to counter inflation.

Some commentators have pointed out that the ASX is better protected due to historically lower valuations, support from a weaker AUS dollar, and the composition of local indices. Australian and US banks continue to emphasise that our respective economies are in a good position to withstand further rate increases.

While that may seem somewhat comforting, it is never-the-less disconcerting to see the value of our portfolios slide along with the overall market.

All that said, with only one or two exceptions, we are confident in the stocks we are currently holding. They were selected with two primary considerations in mind, to either; 1. Provide an ongoing income stream and to maintain capital value, or 2; to provide capital gains, or in the case of our current situation, to look to a solid recovery following any significant downturn in the market.

In our view, individual assets within your portfolios remain fundamentally sound – their current market valuations are reflecting current market volatility, however the 2020 Covid experience demonstrates how quickly recovery can take place.

We are aware of your concerns and continue to watch and look to take appropriate action as and when opportunity arises. Sometimes the market takes us for a ride, and we need to hang on until it decides to turn around again as it has done in the past.

Please call us directly with concerns or questions about your portfolio. That is why we are here!

General Advice Warning

The above contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information. Please arrange an appointment to seek personal financial and taxation advice prior to acting on this information.

Either William or Wayne can be contacted directly on the phone number or email address below if you wish to discuss any concerns or issues.

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