

# What happened in the market?

Market Commentary from our investment manager, State Street Global Advisors

Last quarter we wrote about the implications of COVID19. The Australian Government to 25th May 2020 has injected a total of \$259B into the economy, and we have started seeing a slow re-opening of states and borders. We review current economic data in the local markets and provide our perspectives.

With economies slowly reopening there is positive news but there still remains a lot of uncertainty. Australia in particular has managed to contain much of the spread of the virus and social distancing measures have been taken on-board and are proving to be effective. We have seen a slowdown in the rate of spread in Australia; the peak on 28th March 2020 with 468 reported cases to 29 daily reported cases on 24th June 2020.

In Australia our GDP (Gross Domestic Product – our economic activity/output within Australia ) is negative which means that Australia is close to a recession. The unemployment rate nationally is approx. 7.1%, as of 20 May 2020, but we expect this to possibly rise when job seeker payments end in September.

The recession could be short lived, depending on whether the economy remains open and the extent of continued stimulus. Most states have allowed food and dining to re-open and we have seen consumer sentiment/confidence rise to pre-virus levels.

The government has also announced a A\$680 million Home Building package which grants \$25K for owner occupiers building new homes or undertaking renovations. This grant will provide some support to the residential construction sector. Fast tracked approvals for infrastructure projects such as the Sydney Fish markets have been expedited, and we expect the government to remove red tape, streamline project applications and commit further spending on infrastructure.

While things are starting to look better, there are still a number of factors to consider and implications to understand. These factors still largely include progress on vaccines, stimulus packages and how well business can operate in constrained environments or if there is a second virus outbreak.

The real extent of that damage will likely become understood in the next phase (late 2020), beginning with the number and impact of actual bankruptcies, unemployment and job seeker statistics. There is also the risk of a second wave of infections. Although we are better prepared now than we were back in March, markets may move again accordingly on the back of further outbreaks. Whilst the current situation isn't rosy, Australia is well positioned against other developed countries.

## Disclaimer:

Sources: SSGA, Australian Bureau of Statistics, Australian Government Department of Health.

[Article 1](#)

[Article 2](#)

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