



Hi all,

Just a quick note on why we think the Australian market will continue to push higher over the Christmas period and into 2021.

Coming into the month of November, the two biggest market risks were the US election and a 2nd wave of COVID in the Northern Hemisphere.

Two weeks later, the Democrats have won the Presidency and the House, while the Senate is still to be determined by a run-off in Georgia, but looks likely to remain Republican. In addition, a number of COVID-19 vaccines seem to be inching closer, while Australia has all but beaten a 2nd wave.

A Biden administration, possibly restrained by a Republican Senate, has been taken as a positive by the US market. And obviously a COVID-19 vaccine would be a major positive for the US and Europe, who are both struggling with 2nd waves.

If COVID is resolved within the next 6 months, then we can only think of the Australia/China relationship as the main risk, along with perhaps the risk of inflation, in the short term.

We believe conditions are now so bullish for the economy and equities, that the main risk is actually rapid growth and rising inflation. We will be watching bond yields closely.

But as it stands, interest rates are effectively near zero in Australia, from cash out to 3-year bonds.

SPECIFICALLY HERE AT HOME:

The Federal government has blown out its budget deficit to over \$200bn (or 10% of GDP) via income tax cuts, JobKeeper, JobSeeker and JobMaker.

The reason for such massive fiscal and monetary stimulus is COVID, which will most likely be resolved over 2021. So we have very accommodative financial conditions, at a time when the main issue, COVID, could be resolved fairly quickly.

We note the ASX 200 has broken out past the 6,200 resistance level and looks to be headed back to previous levels around 6,800-7,000.

ASX 200, 2-year chart



Source: Thomson Reuters

We believe these are very positive conditions and encourage clients to make a time to have a chat regarding your current cash or overall position.

Kind Regards

Angela and the team at PPFS

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