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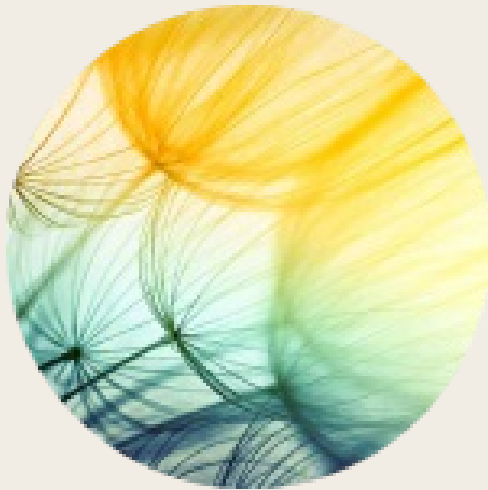
Your dreams, our passion, the future together.



June 2020 Newsletter

Please see below our comment on the recent market volatility. If you have any questions please don't hesitate to get in touch with our office.

Help for retirees and pensioners



There are a number of measures in place designed to support pensioners and retirees through the COVID-19 crisis.

Social security deeming rates reduced

On top of the deeming rate changes made at the time of the first package, the Government will reduce the deeming rates by a further 0.25% to reflect the latest rate reductions by the RBA. As of 1 May 2020, the lower deeming rate will be 0.25% and the upper deeming rate will be 2.25%.

Pension minimum drawdown rate reduced by 50%

The minimum annual payment for account-based and similar pensions is calculated as a percentage of the account balance as at 1 July each year. The government has announced that the minimum annual payment will be reduced by 50% for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets. If you

have sufficient cash resources this would mean that fewer assets would need to be sold in your superannuation account now during this time of stock market volatility. Please make sure you contact your financial adviser if you have questions about this option.

Further \$750 payment for pensioners

In addition to the \$750 stimulus payment for pensioners announced on 12 March 2020, the Government will provide a further \$750 payment to social security and veteran income support recipients and eligible concession card holders, except for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement.

This second \$750 payment will be made automatically from 13 July 2020 to around 5 million income support recipients and eligible concession card holders. Around half of those that benefit are pensioners. Payment of the first \$750 payment commenced on the 31 March 2020 to people who will have been on one of the eligible payments any time between 12 March 2020 and 13 April 2020.

Option to apply for a part pension

If you are over Age Pension age and have not been eligible for a Pension due to your asset value being too high, with the current market correction you may find you are eligible to apply for a Part Pension. This may also entitle you to other Government Payments announced in the Stimulus. Please contact your financial adviser to discuss your circumstances.

Managing your super fund and investment performance

Market volatility is nothing new and the temptation to sell out during

significant market corrections is always there. Each person's circumstances will be unique so if you have questions regarding what action you should or shouldn't take regarding your investment portfolio, this is definitely a conversation to have with your adviser. However, it is our overall investment philosophy that during times of volatility it's more important than ever to refer to your investment strategy and your stick with your plan.

Property update - June 2020



According to the CoreLogic Home Value Index results for May, Australian dwelling values posted their first month-on-month decline since June last year. The national index was down 0.4% over the month, with five of the eight capital city regions recording a fall in values.

The reduction in values through May comes as transaction activity in the market shows more positive signs. The CoreLogic estimate of sales activity bounced back by 18.5% in May after a (revised) drop of 33% in April.

CoreLogic head of research, Tim Lawless, said "Considering the weak economic conditions associated with the pandemic, a fall of less than half a percent in housing values over the month shows the market has remained resilient to a material correction. With restrictive policies being progressively lifted or relaxed, the downwards trajectory of housing values could be milder than first expected."

Across the state capitals, Melbourne's housing market has posted the largest falls over the month, down 0.9% in May, following a 0.3% reduction in April. Values were also down over the month in Perth (-0.6%), Sydney (-0.4%), Brisbane (-0.1%) and Darwin (-1.6%), but rose in Adelaide (+0.4%), Hobart (+0.8%) and Canberra (+0.5%).

Regional markets have been more resilient to value falls, with the combined regional index holding firm through May.

Although housing values are currently slipping or stabilising, recent history implies most home owners have some level of buffer that will help protect against negative equity. National home values remain 8.3% higher than they were a year ago, with Perth (-2.1%) and Darwin (-2.6%) the only capital cities where values remain lower than at the same time last year.

The high annual capital gain is mostly attributable to the earlier growth trajectory of housing values across Sydney (+14.3%) and Melbourne (+11.7%), with the remaining capitals showing a more sustainable history of price rises.

Should you have any queries in relation to this newsletter, please feel free to contact our office.



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Economic Update - June 2020



Within this month's update, we share with you a snapshot of economic occurrences both nationally and from around the globe.

The recovery continues

- Equities continue to climb the wall of what appears to be 'less worry'
- Economies are starting to re-open which is providing further support for equities
- Central banks and Governments continue to apply rescue measures as COVID-19 continues to see increased infections dampening social and economic activity.

We hope you find this month's Economic Update as informative as always. If you have any feedback or would like to discuss any aspect of this report, please contact our team.

The Big Picture

We started last month's update with the thought that the worst could be behind us but that volatility might still spook

markets for a while to come. A quick look at key equity markets tells a more positive story for May with the ASX 200 adding 4.2% to the 8.8% gained in April. The S&P 500 added 4.5% to the 12.7% gained in April.

We still think it's too soon to assume normal reliance on macroeconomic data. We expected the numbers to remain volatile and we were not disappointed.

The big picture we are focusing on is the mood in the markets about re-opening economies. In one month, we have gone from dire predictions of nothing opening to what looks like an orderly opening in Australia, the US and Europe. Yes, there are pockets of confusion but the stock markets seem to have been buoyed by the fact that an orderly return to work is already beginning to happen.

So long as there is one person carrying the virus there is a chance for others to contract it. There is a very high probability of a second wave. The question is – what form will that wave take?

In Australia, the shut-downs seem to have been largely successful. When someone in a newly opened bar or café contracts the disease, quickly responding to those exposed can minimise the spread. If left unchecked we can easily get back to the problem we had a month or so ago.

Of course, the systems and equipment we now have in place are better to deal with a new outbreak. Australians, by and large, appear to be reasonably responsible. Contrast that with the situation in the USA. There seem to be large clusters of vocal groups claiming all sorts of rights regarding employment and social mobility. It does not matter whose philosophy is correct, viruses only react to people close at hand. We would not be surprised if the relaxing

of containment measures proves to be premature and a fresh outbreak occurred in the US and it might be big enough to unsettle markets. In light of the recent social unrest the potential for further outbreaks has likely increased. This will weigh on investment decisions.

Governments and central banks are still applying fiscal and monetary support in amounts that should assist to avert a further escalation of the economic impacts of the COVID-19 crisis. However, at the individual level some groups might be relatively disadvantaged.

Going forward, we are naturally keeping an eye on fresh outbreaks of COVID-19, potential vaccines and cures. They are all potential games changers.

Given the speed of the re-opening of Australia and the US we might expect to see some meaningful data on unemployment from July (to be reported from August). Until then our focus is more on intuition as meaningful forward looking data remains scarce. As economic data releases and in particular corporate earnings estimates stabilise, we will again be able to produce a more informed outlook.

Asset Classes

Australian Equities

The ASX 200 posted a strong +4.2% gain over May with a few sectors standing out. IT (+14.5%), Materials (+8.0%), Property (+7.0%), Telcos (+6.0%) and Financials (+4.7%) were the strongest sectors.

Based on the growing belief that we at least appear to have COVID-19 contained, then the market from a relative value sense is somewhat attractive but with ongoing uncertainty volatility will remain elevated.

Foreign Equities

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