

# Market and Economic Review

## November 2020



Global share markets experienced a bumpy ride in October with divergent fortunes across the regions. Fund returns were broadly positive, helped by our conviction in investing into the local Australian and NZ share markets.

The sustainability of the recent bounce in global growth is being called into question. Fading demand for goods, increased social distancing measures in Europe, persistent global unemployment and diminishing fiscal support from governments are all weighing on the growth outlook.

Australia and NZ look to be in better shape for short-term growth compared to the rest of the developed world. While closed borders and high unemployment will undoubtedly curtail growth, virus-free populations are free to spend domestically, buoyed by the wealth effect of surging housing markets.

Divergent economic fortunes are starting to be reflected in performance of regional share markets, as illustrated last month. Europe (Stoxx 600 index) plunged 5.1% in the month as social distancing restrictions were announced. US shares (S&P500 index) were down 2.7% whilst Australian (ASX 200 index) and NZ (NZX 50 index) shares were up 1.9% and 2.9% respectively (all local currency returns).

Our diversified Funds have been increasingly favouring domestic markets for the last month or so and this is reflected in performance for October.

On the stock side, Fisher & Paykel Healthcare's products are at the forefront of treatment for COVID-19 and the resurgence of the virus in Europe and US gives us greater conviction around demand for the company's respirators. We continue to hold significant positions in the stock and have added to those over the past month.

Looking ahead, the outlook is clouded by the impending US election. Although economic momentum is waning, further support from governments could be forthcoming and the outcome of the election is key in determining the size, shape and timing of this fiscal support. Additionally, we await news of progress on a vaccine which should inform us on the medium-term outlook for economic recovery.

Although uncertainty is still very high, we remain convinced that companies with good cashflows and dividend yields will remain sought after in a low interest rate world and regardless of the economic outlook. Companies such as Spark and Contact Energy in NZ, and Woolworths in Australia remain high on our holdings lists.

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