



Dear Client

The tug of war going on in investment markets

A tug of war is currently occurring between market pessimism and optimism. Pessimists are focused on the spread of COVID-19 globally and the extent of economic disruption.

In contrast, optimists focus on development of a vaccine, early signs of economic bounce back and the large amount of Government support for investment markets.

This is shown most starkly by the divergent views held by bond and share investors.

Bond investors are pessimistic and so want to buy more bonds – even though the interest/coupon rates are at all-time lows. Share investors on the other hand, are taking heart from the huge amount of Government support for the world economies and are seeking to buy more shares – in particular, the FAANG (Facebook, Apple, Amazon, Netflix & Google) + group (including Tesla, Twitter, Nvidia and Alibaba). The latter group was up 24% whereas the S&P 500 as a whole declined 7%.

Some of the share gains for New Zealand investors was eroded by the New Zealand dollar strengthening against the US currency. In the last 3 months the New Zealand dollar has appreciated 8.7%, reducing the returns from underlying US shares.

Interest rates continue to fall in conjunction with offshore interest rates. Essentially all term deposit rates with major banks are now below 2% regardless of term. Bond rates are similarly afflicted. The New Zealand government bond maturing in 2037 offers a yield a little over 1%.

A mix of bonds and shares to match your investment outlook remains the best strategy. Please let me know if you want to discuss or review your investments.

[Read Full Investment Update](#)

Best regards

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