Firstlinks
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Editorial

Australian investors are reacting to market volatility with polar opposite portfolio changes. While one cohort has rushed for cash and safety in the crisis, another large group has seized a share-buying opportunity. The S&P/ASX300 bottomed on 23 March at 4,500 and has since risen to about 5,300, but whether those brave enough to buy equities will be rewarded, only time will tell.

This week, **Calastone** (which handles funds flows for 95% of platforms and 75% of fund managers in Australia) reported the largest-ever monthly redemptions from funds, at $12 billion for March, versus applications of only $8 billion. Surprisingly given the stock market sell-off, the largest outflows were from bond funds.

Similar results were seen in the dramatic increase in turnover in Exchange-Traded Funds (ETFs) in March, as reported by BetaShares. Australian equities and gold ETFs saw strong inflows while bonds and cash were the losers.

Contrast this with reports from large superannuation funds that members were switching to cash from growth or balanced options, in addition to the billions withdrawn under the new access rules. **National Bank** also reported a surge in cash and term deposits in March, despite the miserable rates on offer.

One prominent listed fund, **MFF Capital Investments** (ASX:MFF) with a market value of over

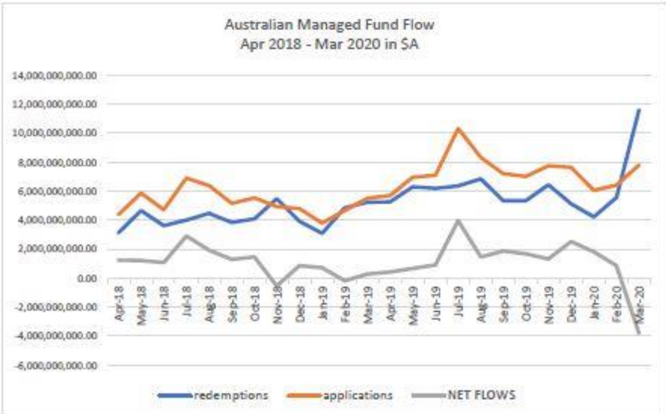


Figure: Fund flows across the Calastone network in Australia

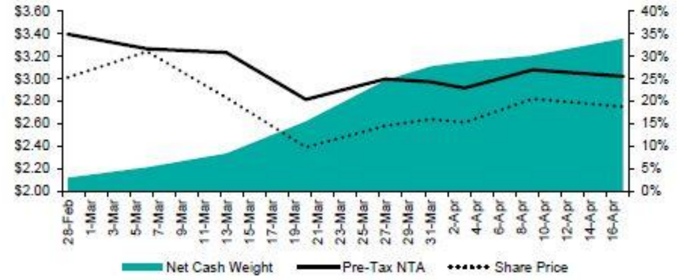
Top 5 Sub-Category Inflows by ($) – March 2020

Sub-Category	Inflow Value
Australian Equities - Broad	$913,334,695
Gold	$213,034,264
Australian Equities - Short	$135,611,840
International Equities - Developed World	$89,800,445
US Equities - Short	$67,430,640

Top Sub-Category Outflows by ($) – March 2020

Sub-Category	Outflow Value
Australian Bonds	($535,102,824)
Cash	($376,211,197)
Global Bonds	($235,099,680)
International Equities - US	($75,171,960)
International Equities - Asia	($40,366,426)

$1.5 billion and managed by co-founder of **Magellan, Chris Mackay**, has significantly moved into cash since the start of March, as shown below in a table from Bell Potter.



SOURCE: IRESS, MFF WEEKLY AND MONTHLY NTA REPORTS

All this at a time when Treasury Secretary, **Steven Kennedy**, told a Senate enquiry that many jobs and businesses will disappear forever, and:

"We have never seen an economic shock of this speed, magnitude and shape, reflecting that this is both a significant supply and demand shock."

Howard Marks, always one to offer a quotable quote, said on 20 April:

"We're only down 15% from the all-time high of February 19, and it seems to me that the world is more than 15% screwed up."

The divergence of views is because some investors are looking 'over the valley' and picking up shares at marked-down prices, while others believe the market is expensive in the face of poor economic conditions. All the while, most people are watching from the sidelines. Whichever view you take, you have plenty of company.

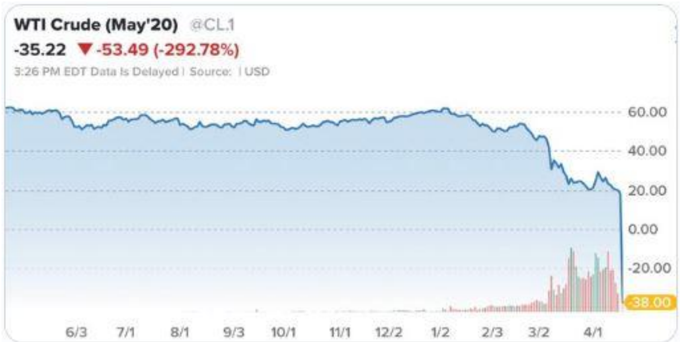
In this week's packed edition ...

For those more interested in 'full-cycle' investing, not chasing highs and lows, patience in equity investing is usually rewarded. Six charts show how often investors will lose capital in any year in Australian equities, but also how the long term usually delivers good outcomes.

Peter Thornhill is a long-time favourite of our readers, especially his unconventional position to remain fully invested in shares at all times. In this update, he reproduces a 2008 article to prove this crisis is not unprecedented from an investing perspective.

While many have taken the plunge into shares, **Robert Almeida and Erik Weisman** argue there are too many uncertainties for an all-out commitment to the price recovery. **Nick Griffin** says it's reached the stage where some investors are driven by FOMO, which should never be a buying motivation.

Pity the traders of oil futures contracts for May, facing the prospect of taking delivery of barrels of crude. They drove prices negative for the first time ever, and **Peter Zeihan** explains demand and supply dynamics and the extraordinary geopolitics at play. We have seen some major historical moments in financial markets in the last month, so this chart is for posterity with oil at minus US$38 a barrel.



As Australian politicians look towards exiting the lockdown, **Douglas Isles** outlines four major ethical, social and political decisions, plus a massive opportunity for change. And with so much doubt in markets, **Jonathan Gregory** suggests different ways to invest in bonds.

A change of pace with a review of aged care alternatives, as **Jemma Briscoe** shows the accommodation choices and how to do the numbers.

Jonathan Rochford's quirky monthly look at the overseas news you missed throws up even more intrigue than nromal.

Despite the recent stock market rally, the bears are not yet hibernating. There are not many readily-available funds where investors can profit when markets fall, so this week's White Paper from **BetaShares** explains how 'bear ETFs' work. Ensure you understand how you can lose money if the stock market rises.

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Six simple charts on what to expect from shares

Graham Hand

In our recent Reader Survey, about 40% of respondents reported portfolio losses of over 20% between January and March 2020, although the market rise since the lows has pared back some of the pain. Anyone relying on their investments to fund regular spending will not only be concerned about the loss in capital value, but also the reductions in dividends. National Bank has lowered its interim dividend from 83 cents to 30 cents and ANZ Bank has cancelled it completely in a sector which traditionally provides one-third of all dividends in the listed market.

Market recovery patterns

Contrasting 'investors' with 'traders', most people do not make radical changes in their portfolios based on short-term volatility. That's a good thing, as picking tops and bottoms is almost impossible, even for professional fund managers who stare at screens all day. A well-designed investment plan should focus on long-term goals and needs, and not worry too much about monthly variations. The Australian stock market falls at least 10% every couple of years, and volatility is the cost of participating in the long-term benefits of share investing.

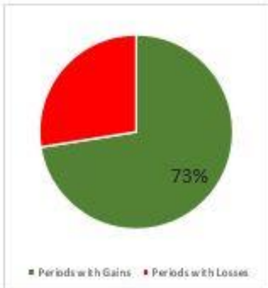
Regardless of an investor's ability to look long term, two questions remain:
1. How often does a diversified share portfolio lose money?
2. How long does it usually take to recover?

We opened the Morningstar Direct data base for the Australian All Ordinaries Accumulation Index to measure the total returns (including dividends) over one year, three years and five years since 1983. For the five year, we did a check using the Canadian Total Return Index, given the similarities between the Canadian and Australian markets.

There are good reasons to take comfort from the charts, and the pictures 'tell a thousand words'. Of course, Covid-19 is a unique threat, and only time will tell whether 'this time is different'.

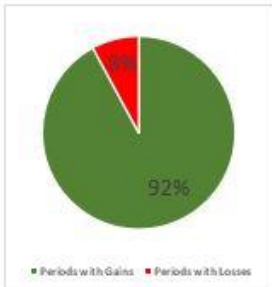
One-year returns

Australian equity investors should expect to lose money for one year in every four to five years. Anyone who considers this loss of capital unacceptable should hold a more diversified portfolio including other asset classes, because over time, the same pattern will probably repeat. (In the chart, 0.1 equals 10%, 0.2 equals 20%, etc. Yes, the All Ords rose 67% in 1983, and fell 40% in 2008 and rose 40% in 2009).



Three-year returns

Moving to a three-year horizon of annualised returns (that is, 1985 shows total returns over 1983, 1984 and 1985, annualised) shows good years regularly offset down years, such that over 90% of three-year periods produce a positive result. Over the period, only the severe loss of the GFC carries into other years.



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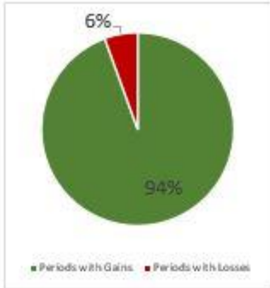
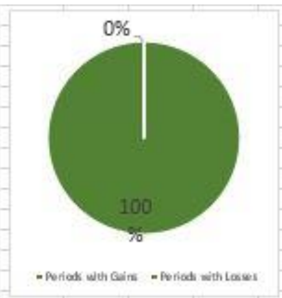
Five-year returns

Similarly for five-year performance, now about 19 times out of 20, the All Ords has produced a positive result.



Canadian Total Returns over five years

The Australian economy has experienced almost 30 years of economic growth (which will be punctured in 2020), so as a quick check on whether the above numbers are an Australian miracle, here are the Canadian Total Returns numbers for five years. There are no five-year losses.



A longer-term perspective of 120 years

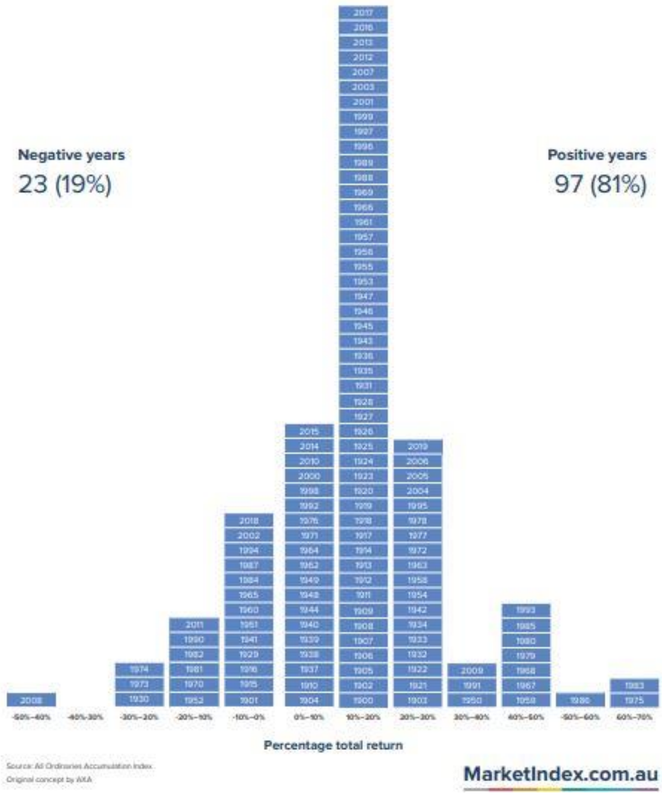
Taking the data back to 1900 shows annual returns are positive in 80% of years, and the average annual return (nominal, not adjusted for inflation) for the All Ords Accumulation Index is 13.2%. Remember that inflation has reached double digits in the past so this number in no way reflects real returns or the potential for the future.

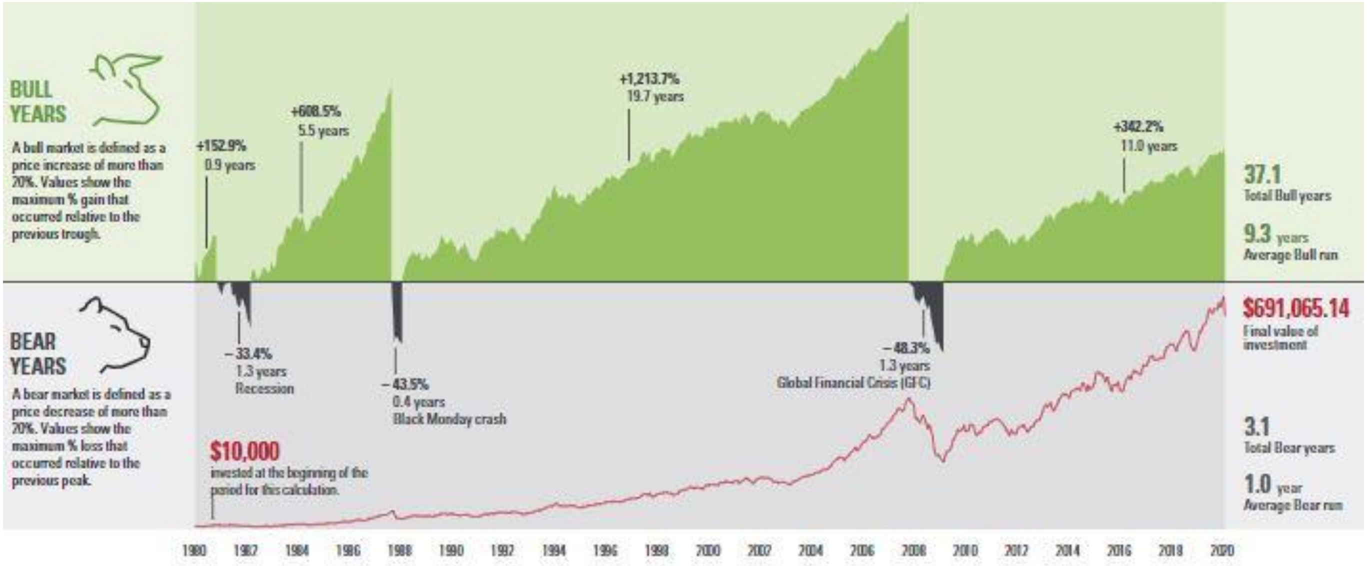
Over this longer horizon, and measuring returns over a decade, Australian shares have generated positive returns 100% of the time and 82% for US shares.

Bull and bear years since 1980

Finally, defining bull and bear years as 20% rises or falls in this Vanguard chart of the All Ords index shows that in the last 40 years, persistence with equity markets usually pays off. The bear markets have been much shorter and shallower than the bull markets.

All Ords Accumulation Index, annual returns for all years since 1900





Is the past a prologue?

We will only know if 'this time is different' when we look back in a few years, and given the uncertainty in the market, there could be another leg down from the recent drop. Taking history as a guide suggests those who do not panic are likely to be rewarded over the long term.

Graham Hand is Managing Editor of Firstlinks. This article is general information and does not consider the circumstances of any investor. Past performance may not be repeated but it's the best guide we have.

Don’t fall under FOMO’s market spell

Nick Griffin

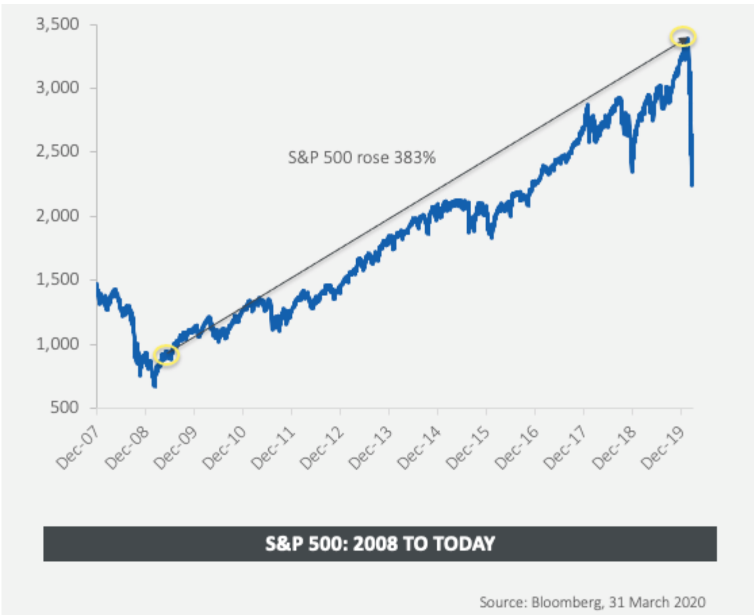
Fear of missing out (FOMO) may have some investors piling back into share markets. But if this bear market cycle plays out like those that have come before, long term investors can afford to wait, and patience is likely to be rewarded.

How bulls and bears behave

History shows that when bull markets start, they generally last a long time, much longer than the bear market that preceded them. As the first chart shows, even if investors bought into the last bear market three months after it bottomed, there were still handsome returns to be made over the decade that followed.

We have recently moved out of bear market territory, but it is early days yet. The following chart shows the S&P500 during the Covid-19 crisis overlayed with the GFC and gives an indication of how this could play out.

Volatility in bear markets bounces along the bottom – up and down from day-to-day - and we can expect volatility to continue for a while.



That said, there is a lot of opportunity to buy, and our portfolio is doing so – having gone from 20% to 60% invested. But we are prudent about being fully invested too soon, because bear markets generally drag on for a while.

The trick is to not give in to FOMO and to be patient, because the bull market will come back and ultimately there will be good times ahead again.

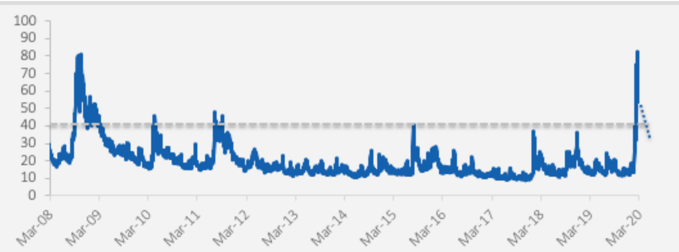
So when to return to markets?

There are many market timing indicators worth keeping track of, and we follow the VIX closely. A good time to go fully invested is generally when volatility passes. The VIX has been as high as 80 in this crisis and it has only been at 80 once before in my lifetime, which was during the GFC. Then, it took seven to eight months to fall back below 40, as the final chart shows.

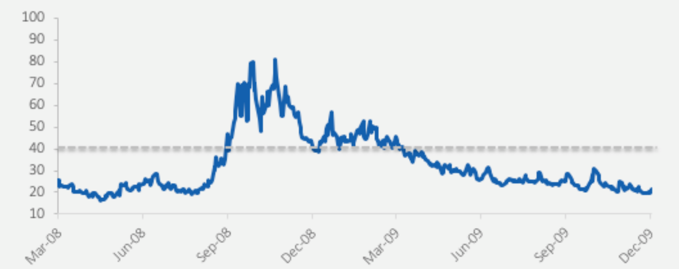
S&P 500: 2008 V 2020

Source: Bloomberg, 31 March 2020, Rebased, 100 = crisis date

Our view is to wait until volatility subsides, which means potentially giving up a bit of relative return in the short term. For absolute returns over the longer term, ultimately the next bull market will be like those that have come before and will be long and fruitful.



VIX INDEX GFC TO TODAY



VIX INDEX GFC

Source: Bloomberg 3/4/20

Where would we invest when the time is right? The bottom line is that earnings growth drives stock prices. We are focusing on companies that will be better off on the other side of this crisis. Some of them may take a hit this year, but we want to focus on those that will be better off over the next three to five years.

The **three largest sectors** we are exposed to are digital enterprise, e-commerce and digital payments.

We are particularly bullish on the digital enterprise sector. We were already positioned strongly in Microsoft, along with some other cloud and software companies, before these latest events. And if anything, the current crisis will only accelerate the move to cloud-based systems. Microsoft Teams is being used around the world, and most children are moving to online learning. This shift to the cloud and to software will accelerate.

E-commerce is another sector we like, for the same reasons. We've always followed the trend towards e-commence and if anything, this crisis means the shift will happen even faster than predicted. From that point of view, Amazon and Alibaba are two names that we like.

And while the digital payments sector will take a hit this year, because commerce is slower, ultimately the shift to digital will accelerate. We are positive on PayPal in this space.

Other sectors we like include digital advertising. While Google and Facebook will be impacted this year, we expect it to outperform over the long run.

In the same vein, healthcare companies and diagnostics are also well placed.

While value investors may find good opportunities in sectors such as energy, tourism and leisure and media companies, there will are also tough times ahead for financials, restaurants and franchise operations as well as automotive industries. Unfortunately, these are the ones to suffer most in this crisis because these are the sectors exposed to consumers and small-medium sized businesses.

There is no doubt that there are still tough times ahead for markets and economies, and there will be no avoiding a downturn. But history has shown that investors can afford to miss the absolute bottom of the market, and still make good market gains.

The bull market will return and when it does, it will last for a long time.

Nick Griffin is a Founding Partner and the Chief Investment Officer of Munro Partners. The information included in this article is provided for informational purposes only. Munro Partners do not represent that this information is accurate and complete, and it should not be relied upon as such. Any opinions expressed in this material reflect our judgment at this date, are subject to change and should not be relied upon as the basis of your investment decisions.

'Unprecedented' should be 'here we go again'

Peter Thornhill

With 'breaking news' shattering our peace, I would like to add some comfort for committed investors. Whilst this current crisis is the result of a pandemic over which we, as individuals, have no control, each one of us has control over our financial response.

Readers familiar with my views will know I advocate the boring long-term predictability of shares, such as in this article.

The last time we faced a financial meltdown was the GFC and I was browsing through an article I wrote at the time and relating it to earlier events.

I reproduce it here in an edited and amended form as my view of the financial implications has not changed. I ask for your indulgence to recall what was written in October 2008.

What a difference a day makes!

London Evening Standard, Thursday 25 September 2008: "BAILOUT HOPE BOOSTS SHARES"
London Evening Standard, Friday 26 September 2008: "BAILOUT CHAOS HITS THE CITY"

Since no one knows what is going to happen in the short term, it would be stupid of me to claim any foresight. The heroic claims to having foretold this current setback will be ex-post.

Fear is based on ignorance. Fear is one of the most contagious and destructive diseases known to man. Even if you are not an investor, fear of current events will still strike at you or your family. Every second article has the word 'panic' and the 'D' word (depression) is appearing with greater regularity as indices are daily hitting new lows. Markets are now being suspended with increasing frequency as selling pressure overwhelms them.

Fear is stronger than greed

Don't look for 'cause and effect' reasons for what is happening; fear is a far stronger force than greed. Useless comparisons with the very recent past abound and attempts to give some credibility to the commentary is laughable, such as:

"On Wall Street, the key Dow Jones index fell below the key psychological level of 10,000 for the first time since 2004" or *"the FTSE 100 index was falling through the psychological 5000 barrier"!*

What the hell is psychologically important about some big numbers? I maintain my stance that all the economic theory counts for diddly squat when the herd is spooked. Behavioural finance is the new order. After losing a staggering 20,000 pounds in the South Sea Bubble, Sir Isaac Newton was moved to comment that he could, *"calculate the movement of the stars, but not the madness of men".*

There have been many other crises during the twentieth century. An understanding of history should have given all those in power today enough foresight to have avoided the worst but perhaps the balance of bankers and mathematicians to historians in positions of influence is wrong!

I doubt that any of what is happening presently will be enough of a scare to curb the hubris of future governments and their ill-advised generosity, or to avoid the waste of productive capital inherent in artificially supporting property prices. If consumers cannot be happy without irrational rises in property or share prices, then we are all off to hell in a hand cart.

I forlornly hope that consumers have had enough of a scare to understand that just as nations cannot live beyond their means, the same rules apply to them. Reckless leverage and a misguided reliance on property can destroy nations, banks, and you and me. I personally am confident that nothing will change in the long term.

To understand what the future holds I commend *Extraordinary Popular Delusions and the Madness of Crowds* by Charles Mackay and first published in 1841. To help get a handle on the present I commend *Manias, Panics, and Crashes* by Charles Kindleberger*.* On the larger issue, Kindleberger says:

"It is necessary now to move to a critical question, one that probably cannot be resolved. Assume that we have demonstrated that destabilising speculation can occur in a world of individuals whom it is convenient and fruitful to consider as normally rational. Permit this world to be perturbed by a 'displacement' of one sort or another, largely from outside the system, giving rise to prospects that individuals misjudge, either for themselves or for others. At some stage, investment for use gives way to buying and selling for profit. How likely is the speculation to lead to trouble?"

How likely indeed. I think I can say from my understanding of history the answer is an unequivocal YES.

Where present events will lead in the short term, I wouldn't have a clue. There have been substantial declines in our portfolio values, but of the 54 companies in our portfolio that have reported so far, five have reduced their dividends with the reductions ranging from very little to a complete suspension. Twelve have maintained their dividends and the balance have increased.

The test for us will be in March/April 2009 when the next dividend season gets underway. Whether this is a sustained decline and a depression results, nobody knows. However, if it should come to pass then I will rely on history.

Our parents were in their late teens and early twenties when the depression arrived. Our grandparents went through two world wars and the depression. The only social security system was the community.

I do not believe that my wife and I are any less resourceful than they were (by observation I cannot speak for others). I do not wish to sound melodramatic, but I am tired of all the hyperbole and self-seeking wailing associated with current events. Personally, we are not over-geared so we will simply pull in our belts, live within our means, hunker down and wait for the cloud to pass; just like our parents. As for our children, hopefully they will learn a valuable lifetime lesson!

There is a famous saying, *"It's always darkest just before the dawn".* A perversion of this is attributed to Mao Zedong which goes; *"It's always darkest just before it is completely black."* Remember, your perception is your reality.

On to 2020 and too much reliance on governments

That's the end of the 2008 article and I will make some observations regarding the differences between now and then.

The decades of 'rescue at all cost' policies of central banks and governments predate the GFC and have become increasingly irrational with each new rescue. We all need to become more resilient rather than relying on larger and larger handouts to alleviate our discomfort.

The GFC was purely a financial problem whilst we are now facing the Covid-19 'black swan' event overriding the 'rational' market correction we were long overdue for. With Donald Trump now having his Moses moment, the US government is supporting speculative ETFs to part the waters and allow everyone to escape the looming problem. It caps every other ridiculous attempt.

This article by Stephen Bartholomeusz in the *Sydney Morning Herald*, 21 April 2020, is brilliant. It is titled "Zombies must live or die on merits, that's capitalism". It captures what is wrong with government policy.

Over 2000 years ago, Plato observed that the longer democracies existed – the longer their freedoms and equalities extended – the more incoherent they became, leaving them susceptible to the cynical corruption of a tyrant, who

"... *offers himself as the personified answer to the internal conflicts of the democratic mess. He pledges, above all, to take on the increasingly despised elites".*

Let us hope that everyone learns from this event, including politicians and leaders of industry.

I spelt out in the above article our personal strategy and it remains the same 12 years later. The GFC had a hugely positive impact on our finances, despite the dividend cuts and the huge number of capital raisings at the time. This will probably be repeated now.

On a more positive note, we must acknowledge that industry is the dynamo that drives a nation's fortunes and this dynamo is driven by human endeavour. Human endeavour is not about to grind to a halt unless history can be ignored and this time really is different. Stay safe and calm.

Peter Thornhill is a financial commentator, author, public speaker and Principal of [Motivated Money](). This article is general in nature and does not constitute or convey specific or professional advice. Share markets can be volatile in the short term and investors holding a portfolio of shares will need to tolerate short-term losses and focus on a long-term horizon, and consider financial advice.

Too many unknowns: hope isn't an investment thesis

Erik Weisman, Robert M. Almeida

Over the next several weeks, investors will experience horrendous macroeconomic data. For instance, based on initial jobless claims data, more jobs were lost in the US in four weeks recently than were created during the entirety of the now-ended 11-year business cycle. So yes, economic data will get worse, but it may not matter to capital markets because this is a market known.

Markets factor in expectations

Markets are a discounting mechanism of 'known knowns' and the weighted probabilities of many 'known unknowns.' And an upcoming earnings recession won't surprise markets any more than terrible labour data will.

Two known unknowns are the pace of the economic recovery and the path of post-recession earnings. Since the March 2020 lows, US equities have retraced over half of their losses. Stated another way, in the face of the worst recession of our lifetimes, equity valuations are down only to June 2019 levels. Over the past few weeks, investors have increasingly assigned a higher probability to a shorter-than-anticipated recession and a stronger acceleration in profits.

We're not epidemiologists, so we won't opine on the infection curve or the risks of a second wave, though we certainly hope for the best. But as they say, hope isn't an investment thesis.

Regardless of when the virus peaks or the economy reopens, life will be different. Politicians, the media and investment strategists and economists (but not us!) have equated the world's efforts to contain COVID-19 with fighting a war. While it may feel that way with everyone pulling together (thank you to the brave health workers and first responders!), pandemics alter long-term behaviour differently than wars.

The catalysts that generally drive V-shaped postwar recoveries are very different from pandemic-driven ones. In short, precautionary savings by both consumers and businesses create different economic and inflation environments than those previously observed in postwar economies.

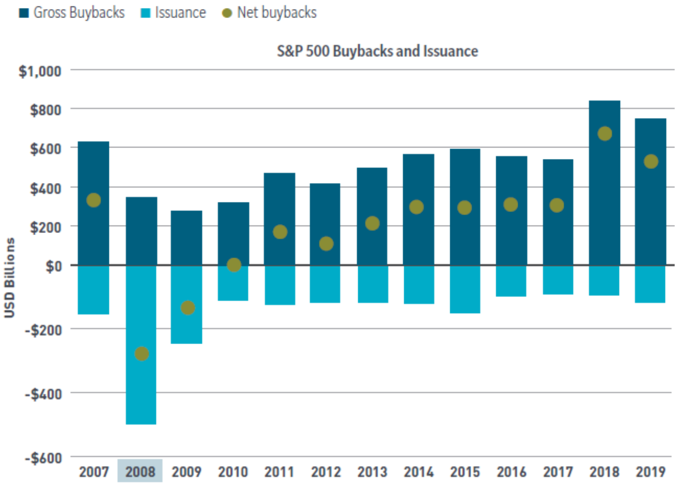
The scramble into new capital raisings

A market known unknown, if you will, that we want to explore further is the likely earnings dilution resulting from future equity capital having to be raised.

During periods of economic strength, many corporations take advantage of all available levers to maximise their appeal to equity investors. Part of the reason for this is that the wrong incentive structure is in place for many corporate leaders. Over the past decade, working capital has been the priority for most CEOs, and lower balance sheet quality has been the lever. That dynamic has been on display more in the recent past than in any other period of recorded history. Exhibit 1 details the steady increase of billions of dollars' worth of shares repurchased in the S&P 500 Index.

This isn't new information, so we highlight 2008. As the fat tail risk of the GFC faded, emphasis turned from maintaining liquidity towards recapitalisation. That recapitalisation came via the equity market and at the expense of shareholders who suffered substantial dilution on a per-share basis.

Exhibit 1: Equity recapitalizations surged during the financial crisis



Source: Goldman Sachs Global Investment Research. Annual data from 31 December 2007 to 31 December 2019.

Today, CEOs and CFOs — particularly those of companies that might not be able to carry on — are scrambling to secure liquidity. Profit maximisation is no longer the priority. Survival is the goal, as meeting next month's debt maturity is all that matters. Balance sheets are now the focus, unlike in the past dozen years.

However, the nature of this recession is different from that of 2008, and not only because the recession is driven by a pandemic. The 2008 meltdown was driven by an overleveraged financial sector. However, this time around, banks and real estate investment trusts (REITs) weren't the entities that extended balance sheet leverage to unsustainable levels in order to repurchase stock.

Instead it was every corporate sector but financials. And a fresh wave of recapitalisations is likely just getting started. There's already been equity issuance by leisure and professional services companies in the US and Europe.

Too many unknowns for recovery conviction

None of us can guess what the duration of this recession will be, nor can we tell how strong the recovery will be. Yet many seem to believe they have sufficient visibility into any such recovery's many known unknowns to make the high-conviction call that the recovery will be strong. We wish we had such conviction, but we don't, and we don't think you should either.

Instead of trying to make those calls, we've chosen to invest carefully, owning assets of enterprises for which the growth of working capital isn't dependent on externalities such as financing, recognising that you can't plan perfectly for black swan events such as the one we're experiencing.

Robert M. Almeida Jr. is a Portfolio Manager and Global Investment Strategist, and Erik Weisman, Ph.D. is a Portfolio Manager and Chief Economist at [MFS Investment Management](). The comments, opinions and analysis are for general information purposes only and are not investment advice or a complete analysis of every material fact regarding any investment. Comments, opinions and analysis are rendered as of the date given and may change without notice due to market conditions and other factors. This article is issued in Australia by MFS International Australia Pty Ltd (ABN 68 607 579 537, AFSL 485343), a sponsor of Firstlinks.

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Together in isolation, four steps in a strange new world

Jonathan Gregory

Introduction: Jonathan Gregory runs UBS fixed income portfolios from the UK with a global perspective. In the first point below, he discusses US TIPS (Treasury Inflation Protected Securities) which in Australia are more commonly called Treasury Indexed Bonds (TIBs). They are listed on the ASX like any other security but they do not trade actively, mainly due to the low yields. See, for example, ASX code GSIQ30 for a 2030 TIB. Information sheets and available securities are listed on this link, which also covers normal listed government bonds, including this statement:

"A financial adviser recommending to a retail client that they invest in this Treasury Indexed Bond via an Exchange-traded Treasury Indexed Bond must provide a copy of this Term Sheet and the current version of the Investor Information Statement for Exchange-traded Treasury Indexed Bonds to the client."

There are also inflation-linked bonds from issuers such as Sydney Airport and Australian Gas Networks available through some fixed interest brokers for 'retail' investors who qualify as 'sophisticated'. Therefore, most investors who want a 'TIP-style' investment to protect against inflation can source a security in Australia.

Which four steps can bond investors take now to reflect the current fixed income outlook? As COVID-19 wreaks havoc around the world, we look at how investors could be well positioned in bond markets to succeed in the new global economy.

If humans are ever to explore distant planets and the vast outreaches of space, scientists must decide how to keep people alive (and sane) through enormous journey times. Astronauts must arrive at their strange new destinations rested and ready to work, even after years of travel. Current thinking points to a form of hibernation where, at the outset, astronauts are chilled and metabolisms depressed to a fraction of their typical rate – so called 'hypothermic torpor'.

So far, so much science fiction. But now governments, policy makers and economists around the world wrestle with a similar problem. How to safely put economies into hibernation so that companies and workers emerge from their sleep pods of isolation fit and raring to go when the COVID-19 crisis has passed?

Previous hibernation techniques will not work

Tried and tested techniques are of no use. In past downturns, policy makers have relied on approaches that supported current spending, for example, lower mortgage rates and tax cuts. But clearly these will not work today when consumers and business are in lockdown. If more direct life support was not provided, then productive capacity (both capital and labour) would be so damaged that a full recovery from the crisis would take years.

Instead, most countries have rightly taken a far more interventionist approach, and one that just a few weeks ago would have read like economic science fiction for many capitalist and market led economies, such as:

- an unprecedented peacetime expansion of fiscal spending
- tax and mortgage holidays
- corporate bailouts
- wage subsidies
- corporate loan guarantees
- unlimited quantitative easing
- extensive support for financial markets.

The numbers are staggering, with packages in many countries easily reaching 10-20% of GDP if fully exercised. And that is before we can be sure how the crisis will evolve and how the global economy will cope. We should not imagine we have seen the end of the life support.

The new global economy

The immediate problem is dealing with the havoc wreaked by COVID-19 to the demand and supply side. But so large are the numbers, and so frequent the announcements, that it is easy to become blasé about how extraordinary these government programmes are and how uncertain the long-term consequences will be. As every sci-fi movie-goer knows, when the sleep pods open and astronauts emerge bleary eyed into a new world, that is usually when the monsters appear.

It is too early to draw real conclusions about how the new global economy will look, but two things are at least are clear.

First, free spending by governments today, while necessary, risks unsustainably higher debt levels, higher borrowing costs and higher inflation in the future. Ultimately, deficits do matter and must be paid for.

Second, central banks must provide immense ongoing support for bond markets. A sharp move higher in government bond yields will undermine the fiscal policy response and therefore central banks will need to keep yields low to support its effectiveness. It is not hard to see some central bank mandates evolving away from today's inflation targeting towards something that is much more explicit in keeping nominal yields low across the yield curve.

We see four steps bond investors should take today to reflect this changing outlook:

1. Get real

(Editor's note: See introduction for more Australian context).

Given the enormous rise in government spending, and our expectation that periods of higher inflation in many countries will follow, it makes sense to own securities with some in-built inflation protection. These are generally known as 'real', rather than 'nominal', bonds.

Evolution of 5-year US TIPS real yields

Source: Bloomberg, data as at 6 April 2020.

In the US, as the Federal Reserve keeps the policy rate at zero and Treasury yields low, higher inflation means that real yields will probably fall much lower, so real bonds will outperform nominal counterparts. US 5-year TIPS (Treasury Inflation Protected Securities) have a yield of about -0.40% as of 6 April. Back in 2013 the yield was around -1.7% and we anticipate those levels could be reached again. So our global bond portfolios maintain an allocation to inflation protected securities.

2. Buy what the central bank buys

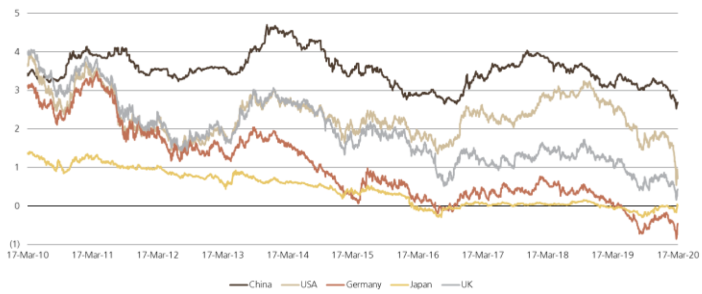
Many central banks have eased recent market stresses by expanding asset purchases, becoming the buyer of last resort where liquidity was otherwise absent. For example, the Federal Reserve and the European Central Bank (ECB) launched programmes specifically targeting the investment grade corporate bond markets, bringing much needed stability.

For most of 2019 we had been cautious towards credit. But since the dramatic repricing of credit risk in March and now the Federal Reserve is providing almost unlimited support for parts of the market, we have become more constructive and selectively adding exposure, especially in the primary market.

3. Don't write-off emerging markets

In the market panic of March, it seemed asset classes were sold down indiscriminately in a global flight-to-quality. Emerging market countries were among the worst performers, especially as the oil price shock hit oil exporters doubly hard. However, we have mentioned before how emerging countries claim an increasing share of global GDP and are underrepresented in global portfolios. The fact that developed market central banks' have recently moved policy rates to zero does give further room to fall for policy rates and real yields in some emerging countries. China remains one of our top picks in global bond strategies.

10-year government bonds



Source: Bloomberg, data as at 17 March 2020

4. Think and act global

COVID-19 is the great leveler globally, affecting both rich and poor nations. So far, the responses to offset the economic shock, while varying in speed of delivery, have been remarkably similar: creative and dramatic fiscal and monetary interventions. The long-term impacts though are hard to gauge and will affect different countries in different ways. For example, the squabble between European countries on how to share the enormous costs of fighting the virus has opened old divisions around debt mutualisation. This could make an already difficult challenge even harder to negotiate. Investors must accept that the true impact of this crisis will be felt in different ways and evolve at different speeds around the world. The best option when facing this challenge is to keep a wide opportunity set available and be flexible and nimble in investment strategy.

COVID-19 is at first order a global public health crisis with extremely serious second order economic and financial market effects for the global economy. Governments and central banks do their best to ease the economic shock, but we are in totally uncharted territory when thinking about the longer-term effects. Bond investors must take steps now, at least to protect themselves against the more obvious longer-term risks, such as higher inflation, while looking for more tactical opportunities in assets that have repriced recently. We believe our flexible bond strategies are well placed to succeed in this environment.

Jonathan Gregory is Head of Fixed Income at UBS Asset Management in the UK and the lead Portfolio Manager on all Global Aggregate, Global Credit and UK Fixed Income Strategies. UBS is a sponsor of Firstlinks. For more information visit here.

Additional background is in this paper written in January 2020.

Oil and the storm before the really big storm

Peter Zeihan

West Texas Intermediate (WTI), the oil grade most associated with American production, plunged to almost minus US$40 on 20 April. For a while, sellers had to *pay* people forty bucks to take a barrel of crude.

As with any product, the business of oil isn't a once-and-done. It must be produced, shipped and processed, and then the refined product must be shipped and retailed. What happened on 20 April was a bottleneck in that process. Production surged ahead of pipeline shipping capacity, leaving some producers with nowhere to put their crude.

But it was only the beginning

The real kicker is that this is *not* the 'negative prices' outcome I predicted a couple weeks back. 'All' the April 20 event was, was a single facility in a single country running out of future *leased* storage capacity for the month of May. The 20 April price crash *will* happen again in the same place and it *will* be bigger. June WTI futures contracts are now spazzing, and America's Cushing oil storage and transport nexus undoubtedly will be actually full by then. But even this is nothing but the warm-up for the big show.

That will happen when the world runs out of storage.

Numbers are fuzzy in this corner of global oil markets, in part because everyone classifies and categorises their oil storage capacity differently. First, because they should, since gasoline storage is functionally different from raw oil storage. Second, because some countries don't share data due to secrecy.

But no one thinks there's a whole lot of storage capacity left. Global oversupply of crude right now is over 20 million barrels per day (mbpd), with 30 mbpd seeming to be the 'average' oversupply guestimate. What storage remains could be filled up completely sometime in May or early-June.

Good or bad for Saudi Arabia?

And filled up it will be, because that is the express goal of the world's largest oil exporter, Saudi Arabia. The Saudi price war started out as a spat with the Russians over carrying the burden of a production cut. It has since expanded into the Saudis targeting the end markets of what they consider to be inefficient producers. The Saudis are directly targeting markets previously serviced not just by US shale and Russia, but those serviced by Kazakhstan and Azerbaijan and Libya and Iraq and Iran and Malaysia and Indonesia and Mexico and Norway and the United Kingdom and Nigeria and Chad and ... you get the idea.

As of 21 April, there were still at least 24 supertankers carrying at least 50 million barrels of Saudi crude en route to the U.S. Gulf Coast. Most will arrive in May, seeking to fill up as much of what remains of U.S. storage as possible. Similar volumes are en route to Europe and even bigger volumes to Northeast Asia. In most cases the destinations are the trans-shipment nodes that enable distribution of inland-produced oil to coastal locations: Rotterdam, Suez, Singapore, Korea.

Assuming you've got deep pockets, and Saudi Arabia's are some of the world's deepest, it isn't a stupid strategy. If the Saudis can push prices firmly negative, it will absolutely crush many of the world's energy producers. My back-of-envelope maths suggest some 20 million barrels per day of production capacity – one-fifth of global output – will go offline for years.

Then Riyadh will have what it wants: the ability to raise prices as much as it wants and to reign supreme over the world of oil for at least several years. The WTI price crash on 20 April confirms that if the Saudis didn't realise the potential for their strategy's explosive success before, they certainly do now. They have no reason to back down.

There are a few producers worthy of callouts.

- Canada's Alberta province has the most to lose. Not only landlocked, it must sell all its oil into the American market that is already so saturated. Its production must be shut in for years.
- Venezuela was facing civilizational collapse due to mismanagement *before* oil prices tanked. As oil is the government's only remaining income stream, this marks the end of Venezuela. Its oil will not come back for at least a decade, and even then only if an outside power first physically invades the place to rebuild the country from scratch.
- America's sanctions regime against Iran has been so successful the country isn't an oil exporter any longer. Its output will absolutely collapse this summer, and the country lacks the funds to bring in foreigners to help restart it or the skills to do the work itself.
- Russian fields are in swamps and permafrost. Drilling is only possible during the winter. Any shut-ins mean the wells freeze solid, necessitating completely new drilling. Last time this happened, it took the Russians nearly 15 years to get production back.
- Azerbaijan and Kazakhstan are both dependent upon other countries (in some cases, Russia) to transit their crude to market. High production costs plus finicky neighbors equal long-haul shut-ins.
- Nigeria is a mess on a good day, and the supermajors who have made Nigerian output possible have steadily moved offshore to get away from the chaos and violence. Once they turn off their wells, they won't even consider returning until global prices rise to the point that they are once again willing to subject their staff to frequent kidnapping. That's several years off.
- Iraq has been in a state of near civil war for some 15 years. The country is now producing over 4mbpd, the income from which helps hold the place together. Negative prices will remove the 'near' from the country's political condition and (at best) make the place a ward of the Arab states of the Persian Gulf.

Tanker storage capacity disappearing

It is also worth noting that the speed that this could all go from head-spinning to head-chopping is intensely short. Right now there's still a fair amount of spare oil tankers to shuttle about the world. The Saudis have been leasing out every tanker they can find, so before long all the world's tankers will be full as well.

Oil has been a panacea for all sorts of inefficient, compromised, and in some cases evil regimes for decades. Huge demand in the West and Northeast Asia allowed a raft of previously insignificant or morally reprehensible leaders and societal situations to effectively print dollars out of the ground and count the industrialised world as a hungry customer.

Not anymore. Demand patterns have shifted, the United States is now an exporter of crude oil and products, and the petro-economy that has kept regimes afloat is crumbling. Before anyone cheers, it's worth remembering that things will get a lot uglier before they have any hope of improving.

For a good idea as to the flavour of ugly, my new book *Disunited Nations* has full chapters on three of the world's most distorted and bizarre oil-based economies: Russia, Iran and Saudi Arabia. Their struggle with the world-to-come is going to be a crazy ride.

Peter Zeihan is a geopolitical strategist, speaker and author. This article is general information and does not consider the circumstances of any investor.

Four steps to resurrecting Australia

Douglas Isles

> *"Down down, you bring me down, I hear you knocking at my door and I can't sleep at night*
> *Your face, it has no place, No room for you inside my house I need to be alone"*
>
> 'I am the Resurrection' by the Stone Roses, 1989.
> *Source: Lyricfind. Copyright: Universal Music Publishing Group.*

Australia is facing its deepest economic chasm, caused by Covid-19 virus which forced the country and much of the world into lockdown. Local data, coupled with international experience, suggests lockdown is working to slow viral transmission, and we are moving the dialogue quickly towards an exit strategy.

It appears at this stage that through some combination of 'tyranny of distance', low population density, relatively uncrowded homes, a low viral load at lockdown, seasonal impacts, a prepared medical system or simply because we are the 'Lucky Country', Australia has fared well. We did not act as swiftly as we could (#bondi), and early messaging was confused, so it is hard to attribute it to great management, whatever is claimed ex post.

What comes next?

To date, it was possible to analyse the outbreak as an advanced mathematical problem. Now, our policymakers are faced with huge challenges ethically, socially, economically and politically, until they are rescued by medical science or favourable mutation.

These challenges are fourfold:

- Determining an acceptable post-lockdown death rate (ethical)
- Encouraging or enforcing lifestyle changes to slow viral transmission (social)
- Ascertaining how we pay for committed stimulus and economic rebuild (economic)
- Creating a vision for the future within this window of public endorsement (political)

Addressing these in turn:

1. What is an acceptable post-lockdown death rate?

This is the tricky ethical question our leaders are forced to deal with. It is critical to setting a date to exit lockdown, which in turn is critical for our economic recovery.

We cannot eradicate the virus unless we keep our borders closed forever. Hence, we will be faced with a reality that there will be deaths from COVID-19 into the future.

For what it's worth, my simple, reductive model has about 1-5 deaths per day forecast in Australia for the first half of May, which seems like the earliest we may consider easing lockdown. This question is not an easy one to propose an answer for.

2. What changes do we need to make to our lifestyles?

The concept of exponential growth has been brought to light to non-mathematicians by the rapid spread of COVID-19 and the terrible death rates we have seen so far in places like Italy, France, Spain, US, UK, China, Iran, and increasingly much of Europe.

The concept R0 – the basic reproduction number - of a virus, tells us how many people a carrier infects. To keep a virus in check, we need to keep R0 at, or below, 1.

Immediately prior to lockdown, R0 may have been around 3 in Australia. We therefore needed to reduce and retain the rate at which COVID-19 spreads post lockdown by about two-thirds, which at this stage, we seem to have achieved.

The concepts of social distancing, self-isolation, work from home, and increased hygiene are a start. It is likely we will need to regulate capacities of venues such as bars, restaurants and transportation in future.

We will likely need to keep our borders closed for longer. Viruses do not respect national boundaries, and we cannot control the actions of other countries.

It is vital that we carefully monitor and test the prevalence of the virus in the community post any re-opening: prepare for random, compulsory testing. This is for everyone's good.

Simply put, the clear lessons of the past few weeks will need to be learned, and applied, or we will end up with a lethal second wave.

3. How do we pay for the stimulus?

Politics and religion are taboo subjects based on strong ideologies. In recent weeks our budget-balancing government has been forced to throw their core belief out of the window.

The cost of this lockdown falls squarely on future Australian taxpayers, who have funded the averting of a potential social catastrophe by attempting to re-allocate some of the pain.

It is likely that further government spending will be required to build confidence as we come out the other side.

The key to recovery is getting people back to work, but with attempts to manage lower person to person interactions, federal and state projects can help to smooth the path.

4. What is the vision for the future?

This is our trillion-dollar question.

The public has committed hundreds of billions of dollars already to support the lockdown, and now is the time to be repaid with a grand vision for the future. We will tip in some more for that to become reality.

Now is the chance to invest in a modern communications network to replace our antiquated NBN; now is the chance to develop high-speed rail to connect our major cities; now is the chance to build renewable energy generation capability, and infrastructure to mirror our European counterparts; now is the time to embrace electric and autonomous driving, to push the boundaries of medical science, to create the southern hemisphere's Silicon Valley, to reform our tax system, to cut red-tape, and so on.

This must be grasped at all costs, or we have missed our big chance. There is a window, but a small one at that, where everyone is on the same team, fighting a war against a common, invisible enemy.

When we roll away the lockdown, we must not find an empty agenda

In summary, it's a tough month or two ahead for our leaders, and it's important we all play our part in staying at home until the restrictions are relaxed, then continue to focus acutely on reducing the spread of a virus that will still be present.

Douglas Isles is Investment Specialist (Retail) at Platinum Investment Management, although this article is written in his personal capacity. He is also a member of the Actuaries Institute COVID-19 Working Group.

Giving and receiving the right aged care advice

Jemma Briscoe

Few stages in life are as complex and emotionally taxing as when the need for aged care arises. And while many people plan for retirement, often counting down the months and years, few plan for aged care.

One reason for the lack of planning is that most people are reluctant to move to a 'nursing home' (now called 'residential aged care facilities'). So possibly the most important thing to realise is that 'aged care' doesn't equal 'nursing home'.

Last year, more than 1.3 million people received aged care and more than 1 million received their aged care at home, a trend that will continue as the silent generation folk leave aged care and the baby boomers enter.

The challenges in providing or receiving quality advice start with the complexity. Moving beyond the bounds of residential aged care, there is a plethora of accommodation options available to senior Australians including apartments, granny flats, retirement villages and land lease communities, each with their own legal and financial implications.

Where would you like to live?

Before the need for care arises, many people are adamant about staying in the family home. But there can be downsides such as increasing maintenance or growing isolation if they are no longer driving or if there is a loss of a spouse.

And then there are the practical care elements. Many homes are not built for providing care, and while some modifications can be simple and inexpensive, others are expensive or simply impossible.

In some families and cultures, the responsibility of caring for ageing family members falls to the broader family and intergenerational living can benefit the whole family. However, these arrangements may establish what Centrelink calls a 'granny flat right'. Granny flat arrangements can have enormous implications, both emotionally and financially, as the older person has no legal ownership in the property.

Critical to these arrangements is an agreement that clearly outlines the rights and responsibilities of each party. It should contemplate likely changes such as:

- the children are divorced
- the children become ill or pass away
- the need for appropriate insurances
- any amortisation or residual value of the amount paid
- the circumstances under which the agreement ends.

The whole family should seek advice to ensure that they understand the impact on pension entitlement and other government benefits, the stamp duty and tax implications, estate planning considerations and the future cost of aged care should home care or residential aged care be required.

Choices away from the family home

Retirement villages and land lease communities are becoming a favoured choice for many retirees. There is often a strong social network, many newer villages are built with the intention of catering to care needs (either now or in the future) and from a lifestyle point of view, people can strike a balance between doing what they are able to do (or want to do) for themselves with the ability to access support and care.

The buying power of these communities when it comes to care delivery is often second only to an aged care facility. Carers are able to move from one home to another in a matter of metres.

For others, the decision will be to move into residential aged care. A crucial consideration in the choice of living arrangements is the ability to access care and at what point a person may need to move on. Is care required now and what can be reasonably anticipated in the future? Will they move to somewhere that can support them as they age, or would they rather kick up their heels for as long as possible then move to a care environment when its needed?

While some retirement communities are designed to enable people to ‘age in place’, others are what we call ‘carefree’. In these communities, it is common for the contract to state that if the person requires ongoing care, they must leave the community.

Crunching the numbers

When crunching the numbers without the right tools, financial advisers and their clients may discover the financial implications associated with the different accommodation choices and care options are complex and fraught with danger.

Not only does the adviser and client need to know the cost of these care options today but also the expected future costs and how decisions made today could impact the future.

Here are two situations:

1. A person entering a granny flat arrangement needs to consider the impact on their current situation, such as pension, rent assistance, amount of money paid for the arrangement and if the reasonable test is applied. In addition, will the arrangement include a provision for any residual value, what are the ongoing costs of care and how or when does the arrangement cease?

2. In retirement village decisions, it is not uncommon to see a range of alternative payment options. These include the standard Deferred Management Fee (DMF) model, prepaid management fees and even fully

refundable options. They often have different shares of capital gain or loss, reinstatement costs, marketing and selling fees and buyback timeframes, and all these choices should be considered and modelled by a financial planner.

Let's look at a specific example.

Betty is keen to right-size. She will be selling her home inner-city Melbourne home for $900,000 (net); she currently has $150,000 in investments and $20,000 of personal assets. Betty is receiving the full age pension and is looking to move into a retirement village nearby.

She has been offered a range of retirement payment options for apartment she is considering in the village. Outlined in the table below:

	Standard	Prepaid	Refundable
Ingoing			
Purchase price	$680,000	$809,200	$884,000 + $30,940*
Ongoing			
General service	$5,880pa	$5,880pa	$5,880pa
Personal expenses	$18,200pa	$18,200pa	$18,200pa
Pension	$14,665pa	$23,725pa	$24,552
Other income	$7,400pa	$4,816pa	$2,701pa
Net cashflow	-$2,015pa	$4,461pa	$3,173
Outgoing			
Sale Price	$913,893	$913,863	$913,863
Deferred Management Fee	$329,072	$0	$0
Reinstatement costs	$18,800	$18,800	$0
Selling costs	$22,766	$22,766	$0
Exit amount in 5 yrs	$544,839	$734,097	$884,000
Exit amount in 10 yrs	$543,225	$872,298	$884,000

**Admin fee for fully refundable model*

The financial implications for Betty are significant with her pension entitlement varying by almost $10,000 p.a., her exit entitlement varying by almost $340,000 after 10 years and a variation in the cash flow of more than $5,000 p.a. depending on which option she chooses.

An alternative to a retirement village is a Land Lease Community, sometimes referred to as a lifestyle community or over-55 village. This arrangement involves the client buying the home and leasing the land it sits on. A decision to move into a Land lease Community may have both a positive and negative financial impact.

Residential aged care may not be the first choice of accommodation. However, there may be limited accommodation options available when it comes to safety and wellbeing.

Often a response to a crisis

For many people, residential aged care is usually not thought about or planned for until a 'crisis' unfolds. This can make the decision rushed, emotionally difficult and very expensive. Understanding the options available before entering care can provide more choice and save thousands of dollars. The value of advice should not be underestimated.

Advisers narrowly defining aged care advice as helping people moving into residential aged care potentially leads to poor advice. Quality aged care advice must be based on the individual's needs and objectives. It should cover granny flats, home care (not just Home Care Packages), retirement villages, Land Lease Communities as well as residential aged care and it's about having the education, tools and resources needed to deliver that advice.

Jemma Briscoe is Head of Research and Technical Advice at [Aged Care Gurus](). This material is general information only and does not take into account your objectives, financial situation or needs.

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Media worth consuming - April 2020

Jonathan Rochford

A monthly look at dozens of local and global media articles that often do not receive mainstream coverage in Australia.

Finance

More than half the countries in the world have asked the IMF for a bailout. Over 25% of Michigan's workforce has filed for unemployment benefits. 6% of US home loans are in forbearance. Some US retail landlords have collected only 15-30% of their monthly rent. 31% of US residential tenants didn't pay their rent in the first week of April, up from 19% in March.

The long list of bailout funding programs and vehicles run by the Federal Reserve. There is no reason for the Fed to be buying ETFs with sub-investment grade bonds. The ECB has joined the Fed in opening the door to purchasing sub-investment grade debt.

Rating agencies have over 1,300 collateralised loan obligation (CLO) credit ratings on review for downgrade. CLOs are breaching their CCC rating thresholds, causing cashflow to be shut off to lower tranches. Citigroup made $100 million on a CLO trade in a week after PGIM sold to them at a hefty discount before prices rebounded. American and European banks are stuck with CLO warehouses, just like they were with subprime mortgages in 2008. Cruise company Carnival sold $4 billion of bonds at a 12% yield. S&P has downgraded a wave of commercial mortgage securities, including one from AAA to BBB-.

Small cap value stocks are at an extraordinary discount to large cap growth stocks. Private equity owned companies have been getting special access to American government bailout programs and have been lobbying Congress to allow dubious hospital billing practices to continue. Private equity is having a Minsky Moment. Australian superannuation funds are cutting their private asset values by far less than the listed equivalents have fallen. Many bond funds have lifted sell spreads, but it might not be enough to cover the substantial buy/sell spreads on the securities they own.

JP Morgan ignored its small business customers to prioritise large customers in accessing government loans. Fintech lender Kabbage has blocked its borrowers from using their overdraft facilities. The American boom in low quality, government insured mortgages is bursting. British banks are demanding at least a 40% down payment for home loans. The explanation of how oil futures traded at -$40 per barrel. Repurchase agreements juiced returns on the way up and accelerated the fall on the way down.

A CEO shocked a TV host when he argued that badly run companies shouldn't be bailed out. Delta Air Lines is burning through $60 million of cash per day. Years ago Warren Buffett famously swore off buying shares in airlines, now he is selling shares in them in the heat of a crisis. Tail risk fund Universa is up 4,144% this year. AQR has lost 23% of its funds under management this year. Vanguard has closed a money market fund to new investors due to a rush of new investors diluting returns. Canada's AIMCo has shut down its volatility strategies after taking $3 billion of losses.

Expect to see a lot more arguments like this one for banning share buybacks but there are deeper issues on their purpose and use. A US oil company paid its executives $14.6 million in bonuses days before it filed for bankruptcy. Low interest rates drove investors to leverage their debt investments, a strategy which has now blown up. Volatility bets create more volatility as dealers hedge their option trades. If Coronavirus hadn't triggered the market drop, something else eventually would have.

China went on a record borrowing binge in March to stimulate its economy. Chinese investors have lost $1 billion on a Bank of China oil security, with many owing more than their initial outlay. Two more Chinese companies listed in the US have been caught cooking the books. Traps to watch out for when buying Chinese distressed debt. Brazil's bond market has been slammed with open-ended funds forced to sell to meet redemptions. Emerging market debt has been slammed by falling prices and rating downgrades. Fitch has warned of a wave of multi-notch sovereign downgrades.

Politics and culture

Amazon has blocked a popular documentary about media manipulation and fake news. Trump's business has asked its lender for concessions. Google is blocking ads critical of the Trump administration's response to Coronavirus. The arguments that Trump is right to cut funding to the WHO after its mishandling of the

Coronavirus response. American hospitals are firing doctors and nurses for speaking out about the lack of protective clothing.

The US government's stimulus oversight committee currently has just one member to review $2.2 trillion of programs. Seven years after exiting bankruptcy, Detroit is in financial trouble again. The Indian government has badly managed its Coronavirus lockdown. The candidates to replace Kim Jong-un if he is indeed dead or incapacitated. The debate about face masks shows why people are losing trust in so called experts.

Police in Missouri have sparked a constitutional debate by fining attendees at a drive-in church service. The Mayor of Chicago was busted for getting a haircut during a lockdown that included a prohibition on haircuts. A Texas Mayor broke her city's stay at home order to get her nails fixed. An Idaho mother was arrested for taking her kids to a playground as part of a playdate protest.

Economics and work

In this time of widespread bailouts and government intervention, Hayek's legacy is more important than ever. Keynes had disdain for savings and entrepreneurship and we now see the terrible consequences of implementing his policies. This crisis should be a lesson to individuals to save more and spend less. The tricky moral and economic question of how much should be spent to save someone from Coronavirus?

After America declared a war on poverty, welfare dependency has more than doubled. With unemployment soaring and welfare payments increasing, the welfare/poverty trap will be an even more significant issue in coming years. An American restaurant chain has found many of its employees won't come back to work until the unemployment benefit top-up ends in August. Some Americans are gathering to protest restrictions on their right to work. US meat production facilities are a hotbed for Coronavirus transmission, with the meat supply at risk after shutdowns. European farms don't have enough migrant workers, so locals will need to take over the work of picking and packing.

In the 1920/21 recession, the US government did almost nothing and the economy recovered quickly, in the Great Depression the US government interfered and made the situation far worse. A call to end the crony capitalism and allow poorly managed businesses to go bankrupt.

Miscellaneous

Airbnb encouraged speculators to use leverage and buy multiple properties, but with the rent gone it is ending badly. The case that Zoom software is malware. The "Undertaker of Silicon Valley" is busy cleaning up busted start-ups. Amazon used data from its sellers to launch competing products.

A Q&A with the scientist who has been warning about pandemics for over a decade. Copper is a virus killer, but hospitals are slow to install it. Opening a window is a simple way to fight germs. Taiwan's transparency and diligence in managing the Coronavirus outbreak has been highly successful, without requiring widespread shutdowns. The controversial arguments against taking draconian actions to stop the spread of Coronavirus. New York's trains and parks are packed during its Coronavirus shutdown. While Australians line up to buy toilet paper, Americans line up to buy guns. The toilet paper and food shortages are due to a shift in demand with suppliers struggling to switch from commercial to retail buyers.

Compared to previous years, fewer people are dying as people change their behaviour to avoid Coronavirus. Scammers in Kentucky set up a tent and were charging consumers $240 for fake virus testing. Shutdowns of sports, restaurants and construction have cut off the income of New York's gangsters. A Singaporean man broke a stay-at-home order to eat pork soup and is now heading to jail for six weeks. A small store owner in New York is facing jail time for stocking up on health supplies and selling them at a profit. More than a dozen countries have reported defects in medical equipment bought from China to fight Coronavirus.

The intriguing story of ring announcers Michael and Bruce Buffer. How seven men pulled off a near perfect bank heist in Argentina, before going to jail and becoming celebrities. A long story about what it takes to earn the US Army Ranger designation. The toilet system on the US Navy's newest aircraft carrier frequently clogs up. As humans hide inside, animals are roaming around cities. Cruise ships are ceasing pay for some workers stranded on board. It's surprisingly tricky to park thousands of planes around the world. More sustainable funeral options are growing in popularity.

Written by Jonathan Rochford of Narrow Road Capital. Comments and criticisms are welcome.

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