ASX 200	ALL ORDINARIES	BEST ASX 50	WORST ASX 50	$A	OIL BRENT	IRON ORE
		RAMSAY HEALTH	VICINITY CTRS	US CENTS	$US PER BARREL	$US PER TONNE
5113.30	5135.20	$58.27	$1.06	59.15 ¢	$27.51	$88.77
+115.20 +2.30%	+129.00 +2.57%	+7.75 15.34%	-.055 -4.93%	-1.21 -2.00%	-0.20 -0.72%	+0.31 +0.35%

Australian shares have rallied for a third straight day after a massive US stimulus deal sent global markets soaring.

5200 5125 5050 4975 4900
10 11 12 1 2 3 4

bracing for hit — ABS

date were cashflow, the threat of closures, how to manage working from home, and planning costs.

For coming months, businesses are predominantly worried about closures and cash flow, and the prospect of standing down workers.

Of those reporting they had been negatively affected, 36 per cent said they had experienced staff shortages.

Fifty-nine per cent expected staff shortages in coming months as illness, school closures and travel restrictions made it difficult for people to get to work.

Experts now expect the economy to suffer its biggest quarterly contraction on record over the coming months, in the order of 10 per cent.

Modelling by Westpac and JP Morgan suggests the unemployment rate will hit double-digits in the coming months, from 5.1 per cent last month.

"Shutting down a large part of the economy should shift the economic dial more towards 'depression' rather than 'recession'," CBA chief economist Michael Blythe said.

Output shrank 10 per cent or more during the depression in the 1930s, while unemployment spiked towards 20 per cent.

Mr Blythe said while comparisons between the problems now and those of the Great Depression "are tempting, the differences are just as important".

"The Great Depression was deepened and lengthened by some policy mistakes," he said.

"The size and speed of the policy response this time offers encouragement, as does the range of measures being deployed. And no doubt the policy response will be ramped up further."

THE AUSTRALIAN

Virus highlights the risk of overvaluation

THE SHORT CUT

ROGER MONTGOMERY

WHEN the coronavirus began to wreak its havoc on financial markets, the US stock market, which accounts for over half the global market, was more overvalued than at all but one time in its 147-year history.

It was only ever more expensive during the height of the dotcom bubble of 1999. The pandemic struck at the time of the second most overvalued US market.

The extent of that overvaluation is something we warned investors of many times. Back in the April 21, 2018 issue of the *The Weekend Australian*, I wrote "And when it comes to equities, be certain of this: there are market darlings today whose share prices will decline 50, 60, 70 and even 90 per cent in the next 12-24 months."

Companies such as Afterpay have since fallen as much as 78 per cent from their highs. Credit Corp has declined 84 per cent and Wisetech was recently 73 per cent off its highs.

As I have said many times, cash is most valuable when nobody has any and the current sell off reflects a mad dash to raise cash as much as it does fears about the pandemic.

The time for preparation however is now over and the question for those that heeded the warnings is whether it's time to jump back in?

On the one hand markets have collapsed at a record pace. This, combined with knowing that we won't be talking about coronavirus in four or five year's time, means now could be one of the rare moments in each decade when portfolios can be set up for the next decade.

On the other hand, we are only one month into a correction that might restore an entire decade of debt-bingeing, resource misallocation, speculation and experimental monetary policy. There could be a lot worse to come.

Ultimately, I believe that humans are adaptable and resilient and we will win the battle against COVID-19. At some point the World Health Organisation will declare the pandemic over and the danger passed.

If you wait until then to buy, I believe you will have missed much of the recovery. There is however a caveat. Globally co-ordinated lockdowns, travel bans and border closures are having an unprecedented dampening impact on Western economies.

And while a government can "stimulate" its way out when citizens are worried merely about the economy, when consumers are worried about their health no financial incentive can encourage people to spend and take risk with their wellbeing.

Today, as I pen this column, we are concerned about the extent to which government efforts to resuscitate frozen funding markets succeed.

A record level of triple C-rated junk bond debt is due to be refinanced and an even larger amount of the lowest investment-grade debt could be at risk of downgrade.

Equity investors in any company with debt or even those without debt but facing closure, lockdowns and zero revenue could find this equity torched amid a wave of refinancings and capitalisations.

Already we have seen Flight Centre, Cochlear and Webjet come to market to raise money ahead of a likely wave of similar offerings.

Deeply discounted rights issues and other capital raisings often accompany a market bottom. It might be worth suggesting investors wait for high-quality businesses to come to market for capital before committing one's own.

What are we looking for before investing significant amounts of our clients' capital again?

First we'd like to see a slowdown rather than acceleration in the number of positive COVID-19 cases. When exponential becomes linear we should be watching more closely.

Secondly, we need to see volatility settle a little. Ten per cent daily swings are a function of an information vacuum and tantamount to gambling. There's no need to gamble.

Third, government responses become political and expand into geopolitical tensions. These need to have settled for the market to stop jumping at shadows.

Finally, the economy. Every week of lockdown vaporises about 2 per cent of Australia's annual GDP. It may not go to zero but it will take an increasing hit the longer lockdowns last, and unemployment will surge.

The recovery won't be as quick as the sell off but it will be surprisingly rapid.

If you are prepared to cast your view a few years hence, now is the time to start considering the good value that may be presented.

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GREEN LIGHT FOR MAGAZINE SALE

MEDIA

THE competition watchdog has given the green light for the proposed $40 million buyout by *Australian Women's Weekly* publisher Bauer Media of *New Idea* owner Pacific Magazines.

The Australian Competition and Consumer Commission had been assessing the impact of the Bauer purchase, given the close competition between the parties' key print magazines, Bauer's *Woman's Day* and *Take 5*, and Pacific Magazines' *New Idea* and *That's Life!*

ACCC chair Rod Sims yesterday said significant declines in the circulation and revenue experienced by magazines were "sustained, substantial and likely to continue", resulting in less investment in content and fewer retail promotions.

Some titles had already closed, with others likely to follow, regardless of Bauer deal, while content offered by the four key magazines in question was all available from other sources, he said.

Pacific Magazines is Seven West Media's magazine arm and the deal will likely bring some financial relief to the debt-laden Perth company.

MARKET WRAP

THE Australian share market rallied for a third straight session yesterday after a massive US stimulus deal sent global markets soaring.

The ASX 200 benchmark index gained 115.2 points, or 2.3 per cent, to close at 5,113.3 points, while the All Ordinaries index rose 129 points, or 2.58 per cent, to 5,135.2 points.

Markets around the world climbed after the US Senate passed an unprecedented $US2 trillion ($3.4 trillion) emergency aid bill to try to save the world's largest economy.

The technology sector gained as **Afterpay Touch** soaring 29.4 per cent to $29.40.

Other big gainers included **Genworth Mortgage** up 22 per cent to $1.84 and **Star Entertainment** up 21 per cent to $1.96.

Virgin Australia gained 17.9 per cent to 8.3 cents after it said redundancies would top 1,000 while **Flight Centre** remained in a trading halt as it said it would standing down or sack 6,000 workers.

The big banks were mostly up, with **National Australia Bank** climbing 2.2 per cent to $16.14, **ANZ** up 0.8 per cent to $16.70 and **Westpac** gaining 1.1 per cent to $16.02. **Commonwealth Bank** was the outlier, falling 1.0 per cent to $61.80.

In the heavyweight mining sector, **BHP** dropped 2 per cent to $30.67 but **Rio Tinto** gained 5.1 per cent to $88.13 and **Fortescue Metals** rose 2.9 per cent to $10.52.