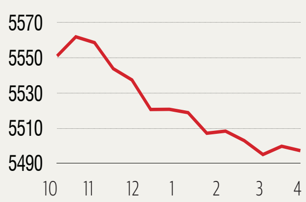
ASX 200	ALL ORDINARIES	BEST ASX 50	WORST ASX 50	$A	OIL BRENT	IRON ORE
		SYDNEY AIRPORT	SANTOS LTD	US CENTS	$US PER BARREL	$US PER TONNE
5497	5608.70	$5.70	$5.08	65.24¢	$35.95	$91.2
-53.40 -0.96%	-52.10 -0.92%	+.11 1.97%	-.21 -3.97%	-0.35 -0.53%	+0.11 +0.30%	+0.07 +0.07%

The market closed lower, rejecting a move above 5,600 as traders turned cautious amid fresh US-China tensions.



Wesfarmers chief Rob Scott

almost $600 million. At the same time, Target churned through a succession of leaders including former Officeworks boss Launa Inman, former Sears Canada chief Dene Rogers and former Coles executive Stuart Machin.

"He (Russo) did a far better job than anyone expected," Dr Mortimer said.

"He cleared out a lot of brands from Kmart, he stripped price points and he really repositioned Kmart as an everyday low-price discount department store business which was constantly on trend.

"Kmart simply cannibalised the foot traffic and sales of Target."

IS THIS THE END?

Mr Scott, from Wesfarmers, said he continued to see a future for Target but warned that its prevailing business model was unsustainable.

"This is about giving Target a better opportunity for a sustainable future," he said.

"There have been many changes in the retail landscape, it's been a very competitive and disrupted sector and there are a number of challenges within the Target model that has caused it to lose relevance with customers."

Others were not so sure.

Dr Mortimer struggled to see how Target would ultimately survive in the discount department store space, especially given the most recent trading updates from rival retailing group Woolworths show its Big W chain is beginning to get its mojo back.

"I ultimately think that in the coming years, Wesfarmers will take an axe to the brand and we may not see a Target brand in Australia," he said.

"It doesn't make a great deal of sense for a conglomerate to run two discount department stores that are fundamentally competing with one another."

Retail Doctor's Mr Walker was not as pessimistic, but thought there would eventually be more store closures.

He noted Wesfarmers last year bought local online retail pioneer Catch Group and wonders if Target will ultimately emerge as an e-commerce business with just a handful of stores.

"Is it possible that we will see Target as primarily an online marketplace?," Mr Walker asked.

"The Catch acquisition is very interesting.

"Target has a well-known and recognised brand, it plays in merchandise that is increasingly the domain of online so why would you have all these heavy overheads in rentals for spaces that don't particularly provide a differentiated experience."

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Market support a very fluid concept

THE SHORT CUT

ROGER MONTGOMERY

YOU may have seen a kugel fountain somewhere on your travels. It's one of those installations atop which sits a large stone sphere, spinning freely thanks to the hydrostatic pressure of the water rising beneath it.

The stock market today is the sphere sitting atop the central banks' kugel fountain money. Turn the fountain off and the sphere plunges to Earth.

When it comes to the stock market there are always two camps — the buyers and sellers and they typically have divergent views about the future.

In the first camp are investors who believe economic activity, revenues and profits will recover easily and quickly. On the other hand are those who believe the recovery will be slow and halting.

I have to confess I am probably in the second camp. Given a range of factors I will discuss in a moment, I simply don't see a steady stream of singularly positive news.

I think the news will be peppered with disappointment and given the market's notorious impatience, market setbacks are possible.

Another way of dividing current sentiment into two camps is to look at the current market valuations.

On the one hand are those who say the market is fully or even highly priced.

On the other hand there are those who say that fully or highly priced markets are reasonable because central banks will support the market through liquidity injections and security purchases.

Bad news is greeted joyfully as it confirms the need for further central bank and government intervention. And that's where the kugel fountain comes in.

If there were any lessons to be learned from the GFC, one was that despite extraordinary financial stimulus by central banks, there were dangerous crevasses awaiting the optimistic.

DATA from Citymapper and Google shows the number of people in transit, at work, in shops and at parks has jumped spectacularly from the low point in Australia on April 10 when movements were down 80 per cent from a normal, pre-COVID-19 day.

Today the level of those activities is down between 30 and 50 per cent.

Importantly, they have not reverted to normal, and given a higher level of unemployment, may not do so for some years.

The construction industry, which is the third largest employment sector in Australia, houses the residential construction subsector. Operators are reporting up to a third of contracts for new homes have been cancelled.

We also know from banks' data that 10 per cent of their book has applied for hardship relief and this is on top of the 2 per cent of their mortgage books that is reported to be in arrears.

Meanwhile, the second largest employer in Australia is the retail sector, which was decimated during the lockdowns.

A conga line of consumer-facing businesses have collapsed or are closing a significant number of stores including McWilliam's Wines, Flight Centre, G-Star, EB Games, Bardot, Curious Planet, Jeanswest, Bose, Kaufland, Colette, Ishka and Kikki K.

And this is on top of those that have collapsed in recent years such as Harris Scarfe, Napoleon Perdis, Dimmeys, Ed Harry, TopShop, Gap, Esprit, ToysRUs, Roger David and Shoes of Prey.

There will simply be fewer jobs for people to come back to when the JobKeeper payments cease.

In Australia, April unemployment rose from 5.2 per cent to 6.2 per cent as most of those who lost their jobs weren't actively looking for work.

Laid-off workers who received the government's JobKeeper wage subsidy were counted as employed even if they didn't work any hours! Without the drop in the participation rate to 16-year lows, unemployment would officially be at 10 per cent.

JobKeeper has a finite life, and as our longest-serving treasurer, Peter Costello, noted recently, it's going to take some time to get unemployment back to 5 per cent, and it will be "a long hard grind".

If returning to normal levels of economic activity and incomes will be long and hard, and if the good news is as good as it gets, then the hard work of generating incomes to pay down the unprecedented fiscal stimulus is about to begin.

Someone should let the stock market know.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT

MARKET WRAP

THE Australian share market closed lower yesterday, backing away from a move above 5600 as traders turned cautious amid fresh US-China tensions.

The benchmark ASX 200 index closed 53.4 points, or 1 per cent, lower at 5497 points, while the broader All Ordinaries was down 52.1 points, also 1 per cent, at 5608.8.

It was "not a great way to end the week," said CommSec market analyst Steven Daghlian.

Since April 6, the ASX 200 has been trading between 5100 and 5600, and towards the higher end of that range in recent weeks. After gaining on Monday, Tuesday and Wednesday, it finished the week up 92.2 points, or 1.7 per cent, for its fourth straight week of gains.

Most sectors were in the red yesterday. In energy, **Woodside Petroleum** fell 2.2 per cent to $22.15, **Santos** 4 per cent to $5.08 and **Oil Search** 2.7 per cent to $3.22 as the price of Brent crude dropped.

The big banks were lower — **ANZ** 1 per cent to $15.23, **National Australia Bank** 1.2 per cent to $15.34, the **Commonwealth Bank** 0.6 per cent to $58.70 and **Westpac** 1.1 per cent to $15.01.

In the mining sector, **BHP** fell 0.6 per cent to $34.32, **Rio Tinto** 2 per cent to $91.33 and **Fortescue Metals** 0.2 per cent to $13.58.

Wesfarmers closed 2c lower at $38.86 after outlining plans to dramatically shrink Target's 284-store network.