ASX 200	ALL ORDINARIES	BEST (ASX 50)	WORST (ASX 50)	$A	OIL (BRENT)	IRON ORE
		SUNCORP GROUP	QBE INSURANCE	US CENTS	$US PER BARREL	$US PER TONNE
6111.20	6270.70	$9.65	$10.65	71.95 ¢	$44.85	$123.74
-8.80 -0.14%	-1.00 -0.01%	+.96 11.05%	-.25 -2.29%	+0.27 +0.37%	-0.36 -0.79%	+1.27 +1.03%

Shares closed 0.25 per cent lower for the week on the ASX, although the result was in the balance for most of Friday.

6160
6145
6130
6115
6100
10 11 12 1 2 3 4

tail shareholders who were unable to participate in the equity raisings have had less exposure to those gains than they otherwise would have, effectively costing them billions of dollars.

The rush for cash has proved a bonanza for investment banks, who have pocketed an estimated $490m in fees.

Ownership Matters has rated the capital raisings on a scale of zero to 10 around measures, including dilution and allocation fairness.

Thirty-five companies received a score of five or less.

Mr Paatsch said the fairest raising to date was carried out by Sydney Airport which raised $2bn via a so-called pro-rata accelerated institutional with tradeable retail entitlement offer, or PAITREO, structure.

This provides all shareholders with the ability to buy new shares in proportion to their existing stake and, crucially, sell their rights to buy new shares or be compensated for them if they do nothing.

Boards and investment banks often push placements, arguing more inclusive forms of raisings are too complicated or take too long, particularly for companies under pressure.

Mr Paatsch said the use of a PAITREO structure by Sydney Airport, a business severely hurt by the pandemic, demolished those arguments.

"It's a distressed company with a lot of debt and the PAITREO structure allows the institutional money to be raised overnight," he said.

"If Sydney Airport can do it, there is no excuse for anyone else."

The lowest-ranked raising was gold miner Bellevue Gold, which raised $26.5m in March.

Existing shareholders not invited to participate had their shareholding diluted by 15 per cent while the bulk of the new shares went to a single fund manager handing it an influential 10 per cent ownership stake.

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Why market can hear bearish growls

ROGER MONTGOMERY

IF you're unsure whether to feel positive or negative about equity markets right now, you're not alone.

Investors are strongly divided about whether markets are fair value or too expensive and about to collapse — and there are compelling reasons for both positions.

Let's look at the reasons to be bearish.

In my next column, I'll look at reasons to be bullish.

There are many revered and highly experienced investors who describe current conditions as similar to the late-stage bull markets of 1987, Japan in 1989, the tech bubble of early 2000 and the resources boom of 2008.

They point to the concentration of money into a narrow band of stocks with a similar theme — the hallmark of almost all bubbles prior to their correction.

And this time it is technology stocks.

Over six years an index of five "megacap" US technology companies — Facebook, Apple, Amazon, Microsoft and Google — has surged five-fold.

Apple, with a price-to-earnings ratio of 37, Amazon (119x), Facebook (32x), Google (33x) and Microsoft (37x) — also known as the FAAMG stocks — now represent more than a quarter of the market capitalisation of the S&P500.

At $US6.77 trillion (at the time of writing), their combined market capitalisation is equivalent to the total combined gross national product of Germany and the UK, and greater than the world's third highest GNP produced by Japan.

Over the past five years, the FAAMG stocks increased profits by $80bn but market capitalisation increased by $4.4 trillion (55x).

More than a little of this PE expansion has been driven by Apple.

The market valuation of the maker of the iPhone has more than doubled from US $900bn in June of last year to US$1.95 trillion today.

And the move has almost entirely been driven by a widening of its price/earnings multiple to 35 times from 16.9 more than a year ago.

Meanwhile, the Shiller CAPE Ratio (cyclically adjusted price to earnings) of the S&P500 index has reached 31.1 on August 5.

Not only is this the highest level in two years, you can go all the way back to 1870 and find the ratio has only been higher once which was during the technology boom of 1999 and early 2000.

AT the time of writing, the US S&P500 was up 3.25 per cent since December 31, 2019, but this observation masks a material divergence between the "megacap" technology stocks mentioned earlier and everything else.

In the absence of FAAMG stocks, the market would be lower for the year and, more appropriately, reflect the economic challenges currently being experienced and likely to persist for some time.

Another way the bears present this argument is to point to concentration risk.

Of the 1794 point gain in the Nasdaq since the beginning of 2020, Amazon, Apple, Microsoft, Tesla, Nvidia, Facebook, PayPal, Netflix and Google explain 1505 of those points.

The bears also point to the rapid appearance of locked-at-home investors with little experience but who are incentivised to trade in the stock market through the proliferation of brokerage-free services such as Robinhood and the shuttering of alternative venues through which to gamble.

By way of example, Robinhood logged a record three million new accounts in the first quarter of calendar 2020 and E*Trade opened 260,000 accounts, which was more than they'd ever opened in a full year.

The appearance of a wave of inexperienced investors, however, isn't the only anecdotal warning sign that bears point to.

A wave of new listings, share issues and SPACs (Special Purpose Acquisition Companies — the "shell" companies or "cashboxes" of the 1980s that ended terribly for many) are also signs of extreme and unsustainable bullish conditions.

By early August, the number of SPAC IPOs had overtaken the total for 2019.

According to data provider SPAC Research, so far in 2020, 62 SPAC IPOs raised US$25.2 bn, compared with 59 IPOs that raised US $13.6bn in 2019.

And the average size of a SPAC IPO has almost doubled from US$230m in 2019 to US$407m this year.

And all of this is happening at the same time that the economy has been plunged into one of its worst economic downturns ever.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT

Suncorp profit plunge a sign of the times

INSURANCE

SUNCORP has warned of "long lasting" COVID-19 economic disruption as it reported a steep plunge in earnings amid extreme weather events and the pandemic.

Cash profit, a measure of underlying earnings, fell 33 per cent to $749m for the year to June, the insurance and banking group said on Friday.

Statutory profit surged from $175m to $913m as the proceeds from asset sales were booked.

Suncorp, whose brands include AAMI, GIO and Apia, declared a final dividend of 10c per share, taking the year's payments to 36c a share.

That is close to half of what it paid out in 2019.

Investors nevertheless applauded the result and Suncorp's stock surged 11 per cent on Friday to close at $9.65.

Some financial services companies, including Insurance Australia Group and Westpac, have scrapped their respective final and interim dividends.

"It has been a challenging 12 months for Suncorp and for the customers and communities we support," chief executive Steve Johnston said.

"First a season of extreme weather conditions, and then the global COVID-19 pandemic which will result in long-lasting economic disruption and fundamentally change the way we live."

Mr Johnston noted that while the pandemic would have long-lasting implications, it had presented opportunities to speed up the group's digital transformation.

End to Virgin challenge

AVIATION

VIRGIN Australia's bondholders have raised the white flag in their fight to derail its sale to private equity firm Bain Capital.

Two bondholders, Broad Peak Investment Advisers and Tor Investment Management, had sought to have an alternative proposal put to creditors for a vote at a meeting next month. But the Federal Court on Monday ruled against them, clearing the way for Bain Capital to complete its deal.

On Friday, a spokesman for the bondholders said they acknowledged the decision, but flagged the possibility of further court action if the return to bondholders was significantly below expectation.