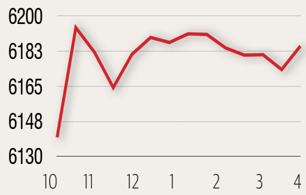
ASX 200

6190.20

+50.60 +0.82%

Investors have enjoyed more gains on the Australian share market, despite Joe Biden having yet to clinch the US presidency.



ALL ORDINARIES

6395

+51.00 +0.80%

BEST ASX 50

TREASURYWINE

$8.75

+.79 9.92%

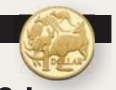
WORST ASX 50

SANTOS LTD

$4.88

-.07 -1.41%

$A



US CENTS

72.59¢

+0.90 +1.25%

OIL BRENT

$US PER BARREL

$40.7

-0.52 -1.26%

IRON ORE

$US PER TONNE

$116.92

+0.08 +0.06%

Qantas is pushing customers to make more use of its online and self-service facilities. A passenger checks in at Sydney Airport.

says log into your app

most impossible to recover luggage that had gone astray.

"If you're at the airport and your bag is missing you will have to call a contact centre in Hobart," she said.

"By the time your bag is found it could be on the other side of the country — if they find it at all."

The 100 customer-service staff being made redundant are among the 6000 roles being axed by the airline for the post-COVID world.

Qantas hopes to return operations to 40 per cent of pre-COVID capacity from late November, when the border between Victoria and New South Wales reopens.

Since the border announcement this week, Qantas and Jetstar have sold more than 25,000 seats on flights between the two states, including 17,000 on the key Sydney-to-Melbourne route.

One third of the bookings were for flights within the first week of borders reopening.

Jetstar chief Gareth Evans said the budget carrier had received about 1000 bookings in the first hour alone, which was more than 10 times the rate of bookings of recent months.

"There's no doubt that 23 November will be a day that both our people and our customers are very much looking forward to, particularly family and friends who can finally reunite after months apart," Mr Evans said.

Qantas has added three routes it has not previously flown — Canberra to the Sunshine Coast, Canberra to Cairns and Canberra to Hobart.

THE AUSTRALIAN

Pitfalls of chasing growth over value

IS now the time to tilt your portfolios towards income and yields-type stocks? In the past few weeks we have been contemplating the impact of a further domestic rate cut on investor mindsets.

As rates approach zero, we believe a final wave of investors who have suffered from inertia will finally give up on their savings and seek to invest elsewhere.

Existing investors may also rotate portfolios towards "income" stocks in anticipation of such a migration.

Savers have a dilemma to deal with now that the Reserve Bank has cut the cash rate to 0.1 per cent.

Low interest rates have hitherto seen investors believe that growth stocks are the best place to invest.

The main arguments are that growth is a scarce and highly demanded commodity in a low-growth environment and that the duration effect on valuation is experienced most favourably by growth companies with earnings projections further out.

When we look through history, however, we find that during previous periods of sharply declining rates, growth stocks did not habitually do well.

We also found periods of higher rates where growth stocks did well.

These observations suggest that low rates today cannot be relied upon to permanently provide support for the most expensive growth stocks.

It also suggests that favouring growth at the expense of value or income stocks could be a mistake.

It is therefore worth considering, in an environment where the RBA has just cut rates to almost zero, and an environment where companies regarded as "growth" have had an

ROGER MONTGOMERY

unprecedented run, whether now is the time to tilt some portion of portfolios towards income and yields-type stocks.

Importantly, however, we must warn that buying purely on today's yield is not smart investing.

More important is to find businesses that can grow their dividends.

These are the companies that will provide adequate, if not attractive, yields today while also delivering growth in income that serves to protect the downside.

While the banks pop up on the list of the highest yielders and while we do own some banks, we are also aware that net interest margins are under extreme pressure, and this could limit growth in dividends for some time.

ON the other hand, retail shopping centre owners offer attractive yields, and may also benefit from movement and border restrictions being eased.

Vicinity Centres, the owner of a portfolio of flagship city and regional malls including Chadstone in Melbourne and Chatswood Chase in Sydney, is offering a current yield of 6.7 per cent, well above cash deposit rates.

This is thanks to a 50 per cent fall in its share price from year highs, which of course is partly related to the $1.2bn stapled security issue in May.

Nevertheless, if activity returns to normal as restrictions are eased, that yield could jump substantially. Westfield shopping centres owner Scentre Group has just announced its third quarter trading update.

Customer visits during the September 2020 quarter were 90 per cent of the same time last year across the portfolio — excluding Victoria — and Scentre has experienced a swift enhancement in collections of cash rents.

Back in April and May monthly gross rental billings fell 28 and 35 per cent respectively.

For the September quarter, however, monthly rental billings averaged 85 per cent of previous corresponding period levels and in October that number sits at 96 per cent or $203m.

Despite these positive developments the share price is some 41 per cent below pre-COVID highs thanks to lockdowns, rental disputes and a massive $4.1bn issue of 60-year subordinated hybrid notes.

The consensus forecast yield, however, is 6.4 per cent and that's a darn site better than the virtually zero return offered by cash.

It is important to remember that the low returns on cash ensure purchasing power is destroyed over time, but a capital loss on cash is improbable while rates remain above zero.

Stocks however, even higher yielding stocks, can lose capital value so investors need to appreciate there are risks.

By searching for those companies offering attractive prospects and appropriately weighting those stocks in a portfolio, investors have the potential to navigate the COVID crisis and recovery with success.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT

Junket operator crackdown 'insufficient'

LEGAL

LACHLAN MOFFET GRAY

MEASURES undertaken by Crown Resorts to improve its oversight of controversial junket operators are not robust enough to make the gaming giant a suitable holder of its soon-to-be-opened Sydney casino, it has been claimed.

The closing submission into a NSW probe into Crown has also heard its dealings with the gambling promoters, or junket operators, highlighted a "culture of denial and arrogant indifference to regulator compliance".

Counsel assisting the inquiry Naomi Sharp, SC, told the hearing those failings should render Crown unsuitable to operate the Barangaroo casino.

"It's our submission that Crown Resorts' dealing with junket operators have rendered it and the licensee unsuitable and that the limited suite of proposals that Crown Resorts has, to date, put forward to address the junket problems do not convert it into a position of suitability," Ms Sharp said on Friday.

She said Crown's largest shareholder, James Packer, pushed to adopt the junket model common in Asia, and set a "dubious tone from the top" in dealing with operators with alleged links to crime.

"It should be found that he (Mr Packer) monitored the VIP international business closely, understood the role of junkets in that process but drove a culture that put the pursuit of profits above all else," Ms Sharp said.

THE AUSTRALIAN

Rates 'at rock bottom'

THE ECONOMY

THE Reserve Bank says it is not considering further interest rate cuts but is prepared to increase its $100bn government bond buying program.

In its November quarterly statement on monetary policy, the central bank said its most recent measures — cutting the cash rate to 0.1 per cent and launching quantitative easing — would support economic growth.

It will do this by making lending cheaper, lowering the value of the Australian dollar which makes exports cheaper and giving borrowers more spare cash, the RBA said.

But after reducing the cash rate on Tuesday to a record low, the RBA said it wasn't considering another cut.