

# Outlook

Financial Update &amp; Outlook

Summer 2020

**Welcome to the first edition of Outlook for 2020.** FINPAC would also like to welcome back Nikki Taylor to the office after being away on maternity leave.

The Australian equity market had a steady quarter, with the S&P/ASX 300 Index (Total Returns) rising 0.7%. Local economic data was generally soft, with recent interest rate and tax cuts yet to have a material impact on economic activity. Despite this softness, bond yields increased over the quarter, with the Australian Government 10 year yield rising 0.35% to 1.37%. The AUD strengthened against the USD.

Prices for key commodities also tended to rise, consistent with a more favourable global outlook. Looking at performance by sector, Health Care (+14%) was strongest, followed by Energy (+6%) and Materials (+4%). Financials (-6%) was weakest, followed by Consumer Staples (-3%) and A-REITs (-1%).

Global equities advanced in December (-0.4%, +3.5% in USD), ending 2019 at all-time highs as the US and China agreed to a phase-one trade deal leading to a more optimistic economic backdrop.

Asian equities outperformed. The trade sensitive countries, Korea and China led. US equities lagged as the US Federal Reserve indicated that it expects to leave interest rates unchanged in 2020 after three straight cuts.

European equities outperformed as the UK general election resulted in a clear victory for the Conservative party giving clarity about the near-term path of Brexit. New ECB president, Christine Lagarde, reaffirmed the bank's commitment to keep interest rates at very low levels and maintain the pace of quantitative easing until inflation rises.

Elsewhere, global government bond yields advanced for a fourth straight month and the softer US dollar helped commodities advance with Brent Oil +5.0%.

## What a difference twelve months makes!

A year ago, markets were under significant pressure as investors worried about everything from global trade tensions to Brexit. Domestically we faced a federal election where the opposition, with a string of investor "unfriendly" policies, was favoured to win.

With the resolution of most of these concerns, the Australian equity market has delivered a very strong performance with the S&P/ASX 300 Index (Total Returns) delivering a return of 23.8% for the year to 31 December 2019. This is the highest calendar year return since 2009 – when markets were recovering from the Global Financial Crisis and an approximate 40% fall the prior year.

## What can we expect in 2020?

Ongoing geopolitical tensions, overshadowed by the US-China trade war, Brexit and now Coronavirus are expected to stunt global economic growth this year.

Weaker global growth will have a flow-on to investment markets, fuelling further periodic bouts of volatility, and investors should factor in the likelihood of subdued returns. We anticipate a slowdown in global growth with the US being able to avoid a recession with growth of around 1% and China's economic growth to drop as well.

For the Australian equity market, the annualised return over the next 10 years may be around 6.0%, while returns in global ex-Australian equity markets are likely to be about around 6.5% for Australian investors. This means investors given the prospect of lower economic growth and continuing subdued inflation will have to get used to anticipating lower returns."

Remember if you have any questions please contact the relevant advisor listed below. Alternatively, if you have any feedback on our updates or articles you would like covered please give me a call or send an email to [gricks@finpac.com.au](mailto:gricks@finpac.com.au).

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# does travel insurance cover a pandemic?

Most insurers cover medical expenses resulting from a pandemic, but often no cover for cancellation expenses. If you buy travel insurance after a pandemic or epidemic such as the novel coronavirus becomes a known event, you won't be covered regardless.

## Does travel insurance cover a pandemic?

Many but not all travel insurers cover pandemics, as long as you bought the policy before it became a 'known event'. Cover will vary between policies. Most travel insurance policy will cover you if you bought it before the pandemic became a 'known event'.

## Medical expenses

Most Policies cover medical expenses in a pandemic. However you're more likely to need cover for cancellation expenses, for example if the government changes the travel warning to "Do not travel – DFAT Level 4", like they have with China amid the novel coronavirus epidemic.

## Cancellation costs

Not all travel insurers cover cancellation as a result of pandemic or epidemic, so make sure you check.

## Known events

Insurance is intended to protect you against the unknown, so once an event becomes known, it's generally too late to buy insurance to cover you for that specific event. Generally in the case of the novel coronavirus this is DFAT Level 4.

## What will travel insurance cover?

If your policy covers medical expenses as a result of a pandemic, you'll be covered for medical expenses if, for example, you contract novel coronavirus on your travels – as long as you bought the policy before the cut-off date.

And if the policy covers cancellation expenses, you'll be covered to cancel or possibly amend your travel arrangements to avoid the affected area. Each travel insurer will differ. For example, they usually won't cover you if you ignore travel warnings and travel to a region marked as 'Do not travel', such as China during the novel coronavirus outbreak.

On the other hand, they also won't cover you if you're worried about travelling and want to cancel your trip. So if you have a holiday planned to China and you want to cancel because you're concerned about the coronavirus spreading, you won't be covered to cancel your trip unless, for example, the government keeps the travel warning for Bali to 'Do not travel'.

This is a developing situation, so keep an eye on the government's Smartraveller website for the latest coronavirus advice and if you have a trip planned, subscribe to alerts for your destination.

## What if I have travel planned?

As each insurer may cover a pandemic slightly differently we would recommend contacting us to discuss your actual travel plans so we can get the best cover for your particular trip.

# why corporate travel insurance?

A Corporate Travel policy provides flexible cover and generally greater protection for business travellers, over a private leisure policy. A business travel insurance policy can be tailored to meet the specific needs of your business, protecting your people wherever they are.

For small and medium businesses to large organisations corporate travel policy provides cover for domestic and overseas trips of six months in duration or less, including private leisure travel. The policies are an annual policy as opposed to most leisure policies that cover individual trips.

These are some of the benefits that can be included:

- Unlimited overseas medical expenses
- Overseas leisure travel for directors and designated executives, their accompanying spouses and dependent children - with no age restrictions for most benefits
- Cover for combined business and leisure travel

- No item limits under baggage
- Kidnap and ransom cover which is available worldwide including Central and South America
- Refund of excess benefit for private vehicle if it is being used for a business purpose
- Search and rescue expenses benefit
- Death by specified sickness benefit
- Coverage for financial collapse of tour operator or accommodation provider
- Personal accident and sickness cover while travelling, including rehabilitation, lifestyle modification, chauffeur benefit and Injury assistance for non-earners.

If you operate a business that involves some degree of travel give us a call to discuss your options.



Report by Anthony W Muller, Director & Representative of FINPAC Insurance Advisors PTY LTD (Australian Financial Services Licence 252590). This bulletin contains general information only and has been prepared without taking into account your individual financial needs, circumstances and objectives. Reliance is not to be placed upon this material, and you should assess your own financial situation before making an investment decision based on it. You may wish to consult your advisor. Any representation or statement made or implied in this material whether by way of opinion or advice or otherwise, is made in good faith, but on the basis that FINPAC Insurance Advisors shall not be liable to any person in respect of such representation or statement whether by reason of negligence, lack of care, or otherwise save where liability cannot be excluded pursuant to law.