

ISSUE 65

NEWSLETTER

Informative articles, Centrelink News & Market Update



february

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Reminder about changes to Centrelink and aged care nominee arrangements

19 February 2021

Nominee arrangements for Centrelink and aged care have been changing. Changes will continue until 12 March 2021.

Centrelink correspondence nominees can deal with Centrelink on your behalf for your aged care costs.

This means if you get Centrelink payments and services, and have aged care costs, you can have the same nominee for both.

You may have already changed to the new nominee arrangement. If not, you'll automatically change to the new arrangement in March 2021.

You nominee arrangement won't change if you either:

- have a nominee for aged care, but not Centrelink
- get a Department of Veterans' Affairs (DVA) payment.

This change doesn't affect My Aged Care representatives.

What you need to do

If these changes affect you, you'll get a letter from us. You don't need to do anything unless you want a different nominee.

If you don't get a letter from us, you can still change to the new arrangements.

You can change or cancel your nominee at any time.



7 WAYS TO KEEP YOUR MIND ACTIVE AS YOU AGE

We used to think that memory lapses and slower thinking were an inevitable part of old age. But now we know it's possible to keep our minds sharp, by continuing to use our thinking 'muscle'.



1. Keep learning

Experts think that learning new things keeps us in the habit of being mentally active. Challenging your brain with mental exercise is believed to activate processes that help maintain individual brain cells and stimulate communication among them.

Many people have jobs that keep them mentally active. When we retire, we need to keep that brain activity going by pursuing a hobby, learning a new skill, or volunteering for a role that involves doing something different.

2. Use memory aids

If you don't need to use mental energy remembering where you laid your keys or the time of your granddaughter's birthday party, you'll have more brain space to concentrate on learning and remembering new and important things.

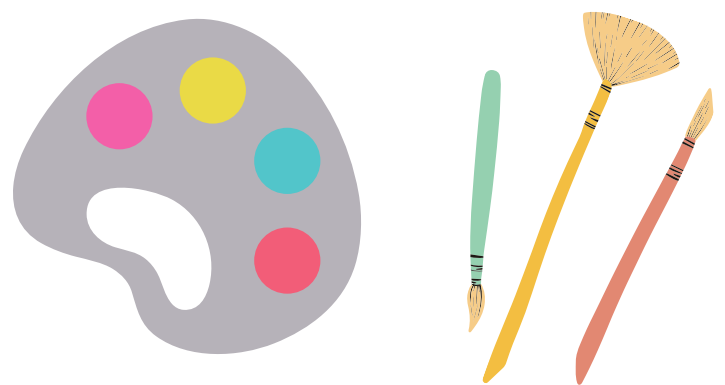
Take advantage of calendars, lists and diaries to keep routine information accessible. And create a special place at home for your glasses, purse, keys, and other items you use often – so you always know where they are.

3. Read more books

When we read, you don't just absorb the information contained in the book, the act of reading itself builds connections within your brain, making it more versatile.

Today, there are also a number of e-readers – book alternatives – as well, like a Kindle, or even apps you can use on your tablet device). E-readers have access to libraries of hundreds of thousands of books, and you can quickly search, download and store books on one small unit. They have easily adjustable font size to make it comfortable for you to read from, and the screens often look like paper, without screen glare.

Some of the other great features of these devices are being able to bookmark pages or add notes and underline important points in the text. There's also an 'X-Ray' to remind you of the plot and list of characters that you are reading about. If you're interested, you can compare different e-readers [here](#).



4. Paint, draw or doodle

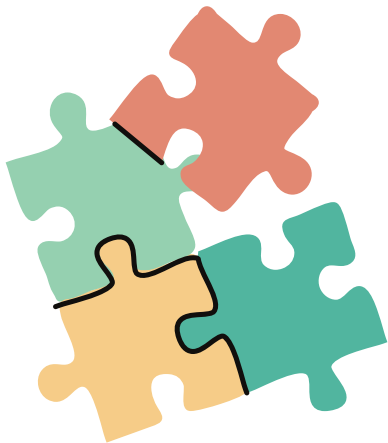
Whether it's a masterpiece or a doodle, simply creating a picture is an excellent workout for the brain. Picasso and Matisse both famously produced artwork right up to their deaths at the ripe old ages of 91 and 84. Importantly, both of them remained extremely sharp and lucid.

7 WAYS TO KEEP YOUR MIND ACTIVE AS YOU AGE

5. Do puzzles

You can increase your mental capacity by challenging and stimulating your mind with puzzles. You'll find free puzzles like crosswords in newspapers, magazines and online.

Try the mental gymnastics needed to succeed at Sudoku – and don't worry if you aren't good at maths, sudoku is all about logic. It exercises your brain by getting you to think logically about which numbers need to go in which boxes. It may take an hour or two to correctly finish your first few puzzles. That's OK! This is a new way for your brain to work.



" Research has shown that listening to music can reduce anxiety, blood pressure, and pain as well as improve sleep quality, mood, mental alertness, and memory. "

6. Listen to music

Music affects the brain profoundly, and has been linked to improved cognition and memory functioning. Music is structural, mathematical and architectural. It's based on relationships between one note and the next. You may not be aware of it, but your brain has to do a lot of computing to make sense of it. This is why, in his book *Awakenings*, neurologist Oliver Sacks wrote about the power of music as the most "profound nonchemical medication."



7. Exercise

Exercise changes the brain in ways that protect memory and thinking skills. It stimulates the release of chemicals in the brain that affect the health of brain cells, the growth of new blood vessels in the brain, and even the abundance and survival of new brain cells.

More indirectly, exercise improves mood and sleep, and reduces stress and anxiety – issues that are often the cause of cognitive impairment.

The good news is, it's never too late to start sharpening your brain. Just a few minutes a day on any of the above activities can help. Get going on a new mental workout today!



trivia!



1. Mercury
2. Madrid
3. 2
4. 8
5. 24
6. Los Angeles
7. Lakers
8. 0
9. Watches
10. Tandoori



1. Hg is the chemical symbol for which element?
2. What is the capital city of Spain?
3. How many pairs of wings does a bee have?
4. How many phases of the moon are there?
5. How many total times zones are there in the world?
6. What team has the longest winning streak in NBA history?
7. What is a group of turkeys called?
8. What is the most common blood type in humans?
9. Rolex is a company that specialises in what type of product?
10. What is the name given to Indian food cooked over charcoal in a clay oven?

Market Update

FEBRUARY 2021

- Macroeconomic indicators remain robust, but vaccine supply delays in some regions and the emergence of new Covid-19 strains have dampened sentiment.
- The US congress is negotiating President Biden's proposed US\$1.9 trillion stimulus package, which includes US\$1,400 payments to low-income workers.
- The EU has imposed tougher restrictions on visitors and the UK will introduce tighter border controls to prevent the spread of new Covid-19 strains.
- The Biden administration will seek to repair relations with China but will face immediate challenges as China steps up military activity around Taiwan.
- The RBA left the cash rate on hold at 0.1% and announced it will buy an additional \$100 billion of Australian government bonds before ceasing purchases in April.

January market performance

Equity Markets – Index Return*	Index	At Close 31/01/2021	% Return 1 Month	% Return 12 Months
Australia	S&P/ASX 200 Index	6607.36	0.31%	-3.11%
United States	S&P 500 Index	3714.24	-1.01%	17.25%
Japan	Nikkei 225 Index	27663.39	0.80%	21.52%
Hong Kong	Hang Seng Index	28283.71	3.87%	10.96%
China	CSI 300 Index	5351.96	2.70%	36.49%
United Kingdom	FTSE 100 Index	6407.46	-0.79%	-9.20%
Germany	DAX 30 Index	13432.87	-2.08%	3.47%
Europe	FTSE Eurotop 100 Index	2853.47	-0.94%	-5.04%

Property – Index Returns*	Index	At Close 31/01/2021	% Return 1 Month	% Return 12 Months
Listed Property	S&P/ASX 200 A-REIT Index	1383.70	-4.06%	-13.96%

Interest Rates	At Close 31/01/2021	At Close 31/12/2020	At Close 31/01/2020
Australian 90 day Bank Bills	0.01%	0.01%	0.88%
Australian 10 year Bonds	1.09%	0.97%	0.96%
US 90 day T Bill	0.06%	0.09%	1.55%
US 10 year Bonds	1.11%	0.93%	1.51%

Currency**		At Close 31/01/2021	% Change 1 Month	% Change 12 Months
US dollar	AUD/USD	0.76	-0.74%	13.70%
British pound	AUD/GBP	0.56	-1.41%	8.65%
Euro	AUD/EUR	0.63	0.78%	3.59%
Japanese yen	AUD/JPY	79.90	0.57%	8.93%
Australian Dollar Trade-weighted Index		63.0	-0.63%	8.43%

* Closing index values are based on price indices. Index returns are expressed as total returns in local currency.

** All foreign exchange rates rounded to two decimal places.

Past performance is not a reliable indicator of future performance.

Global economies

The pandemic still looms large across the global economic landscape, with over 100 million confirmed Covid-19 cases worldwide at the start of February. The gradual rollout of vaccines is offering hope that a new normal can be achieved despite early logistical roadblocks and shortages in

some regions. The Covid-19 situation in the US is improving while Europe is bringing new outbreaks under control.

Market Update

US

Covid-19 vaccines have begun rolling out across the country as daily confirmed cases continue to fall. President Biden issued new executive orders to accelerate the production of vaccines and protective equipment, establish a Covid-19 testing board, and mandate mask wearing on public transport. December quarter GDP rose 4.0%, in line with expectations, building on the large 33.4% rebound in the September quarter. Despite pulling back from 60.5 in December, the ISM manufacturing PMI was robust at 58.7 in January and marked the eighth consecutive month of growth. The drop in the index was led by a slowdown in new orders, production, and new export orders. Durable goods orders rose 0.2% in December, missing expectations of 0.9% growth. The labour market is showing signs of weakness, with non-farm payrolls disappointing in January, gaining only 49,000 versus expectations of 105,000. The unemployment rate fell to 6.3%, well below the 6.7% expected, while average hourly earnings lifted 0.2% for the month. New home sales rose 1.6% in December, missing expectations of 1.9%. Housing starts surprised to the upside in December, coming in at a 1.67 million rate, well above the expected 1.56 million. At its January meeting the Federal Reserve made no changes to its policy settings but noted that the pace of recovery has moderated in recent months.

Europe

The European Union imposed tougher restrictions on visitors from outside the bloc, with travellers from countries with a higher infection rate than the EU (more than 25 Covid-19 cases per 100,000 people over 14 days) required to enter quarantine. In the UK, home secretary Priti Patel outlined new rules for tighter border controls amid unprecedented pressure on the UK health service. Eurozone December quarter GDP contracted 0.7% (versus -1.0% expected) following a downwardly revised 12.4% growth rate in the September quarter. The contraction was largely due to Covid-19 restrictions, with major economies Italy and France contracting 3.0% and 1.3% respectively. January's Markit Manufacturing PMI printed in line with expectations at 54.8 but slipped back from 58.3 in December as new orders dropped. As expected, the European Central Bank kept its key rate unchanged at zero at its January meeting, while the Bank of England also left its monetary policy settings unchanged, holding the repo rate at 0.1% and total QE purchases at £875 billion. Policymakers are still forecasting the economy to recover quickly to pre-pandemic levels as the vaccination program leads to an unwinding of Covid-19 restrictions, however the Bank of England added that banks should prepare for the possibility of negative interest rates.

China

China has been among the frontrunners in the global vaccine race, with late-stage trials underway for the Sinovac-developed CoronaVac in at least 16 countries across Asia, Africa and Latin America. China is making hundreds of millions of doses available to low-and middle-income countries as part of its vaccine diplomacy push. With the new Biden administration installed, the US state department said it can "walk and chew gum" when it comes to fostering a more constructive relationship while also holding China accountable for human rights abuses and sustaining America's military and technology advantage. On the data front it appears China's economic recovery has hit a rough patch. The Caixin Manufacturing PMI fell to a seven-month low in January at 51.5, down from 53.0 in December and missing expectations of 52.7. Both output and new orders rose at softer paces, while export sales fell for the first time in six months due to the resurgence of Covid-19 infections globally. China's December quarter GDP grew at 2.6%, less than the expected 3.2% growth rate and the upwardly revised 3.0% growth rate in the previous quarter, making it the weakest quarterly result since the June 2020 quarter. Industrial production came in strong at 7.3% in December, above the expected 6.9%, while retail sales disappointed slightly, rising 4.6% year-on-year.

Market Update

Asia region

Japan's economy, which was battling recession even before the pandemic hit, remains in precarious shape. According to the IMF, Japan's GDP is expected to grow by 2.3% in 2021 following an estimated fall of 5.3% over 2020, but much depends on how the pandemic plays out. Amid a spike in new Covid-19 cases, the Japanese government extended its state of emergency in 10 prefectures including Tokyo and Osaka and is urging companies to cut the number of workers in their offices by 70%. Japan's unemployment rate came in at 2.9% in December, unchanged from November's downwardly revised rate and below expectations of 3.0%. Retail sales declined 0.8% in December, falling below expectations of a 0.5% contraction. South Korea is also in the grip of its largest and most persistent wave of infections, with daily cases peaking at more than 1,200 over the Christmas holiday. Despite the recent drop in cases, authorities are hesitant to ease restrictions ahead of the Lunar New Year, which usually sees millions of Koreans travel across the country. India's stimulus program will result in a larger-than-expected deficit of 14% of GDP in fiscal year 2020, however this will be cushioned by the country's strong return to growth, with the IMF forecasting GDP to grow 11.5% in 2021.

Australia

New positive Covid-19 cases in New South Wales and Victoria have prompted increased testing and tracing to prevent further outbreaks. New South Wales will remain open to Victoria and will only close its borders as an "absolute last resort", according to Premier Berejiklian. As Australia prepares for its vaccine rollout, the federal government reaffirmed its confidence in the AstraZeneca vaccine. Oxford University said work was underway to develop a new generation of vaccines that will protect against emerging variants of the virus. Meanwhile Australia's recovery continues and has been most evident in the labour market. The unemployment rate fell from 6.8% to 6.6% in December, lower than the 6.7% expected, as the recovery in the labour market continued to outperform expectations. 50,000 jobs were added over the month, following the strong 90,000 increase in November, while the participation rate rose from 66.1% to 66.2%. Retail sales fell 4.1% in December and were weaker than expectations of a 2.5% decline as shoppers pulled back in the crucial lead-up to Christmas, resulting in declines across five of the six retail industries. Australia's trade balance rebounded in December to a surplus of \$6.8 billion but fell short of expectations of \$7.7 billion.

Market Update

EQUITY MARKETS

- Australia's S&P/ASX 200 Index rose 0.3% in January, led by the Consumer Discretionary (+4.7%) and Communications (+2.7%) sectors.
- The US S&P 500 Index eased 1.0% in January in US dollar terms, ending the month at 3,714 points, before pushing to new highs in early February.
- In Europe, Germany's DAX 30 Index fell 2.1%, while France's CAC 40 Index was down 2.6% and the UK's FTSE 100 Index shaved 0.8%.
- In Asia, Japan's Nikkei 225 Index rose 0.8%, China's CSI 300 Index rose 2.7% and Hong Kong's Hang Seng Index rose 3.9%.
- Global developed market shares fell 0.5% in Australian dollar terms while emerging market shares rose 3.7%.

Australian equities

	Index/Benchmark (% pa)	1 Month	1 Year	3 Years	5 Years	7 Years
Australian	S&P/ASX 200 Acc. Index	0.31%	-3.11%	7.00%	10.03%	7.90%
	S&P/ASX 50 Acc. Index	0.69%	-6.09%	6.71%	9.27%	7.04%
	S&P/ASX Small Ordinaries Acc. Index	-0.25%	5.38%	6.68%	11.56%	8.65%

Australian shares outperformed their global peers in January, starting 2021 with a modest gain of 0.3%. Australian equities remain largely influenced by macro factors surrounding the management of Covid-19, but the start of earnings season will see a renewed focus on fundamentals. A rotation out of some expensive growth pockets into value sectors was evident over the December quarter and into the new year, driven by vaccine developments and additional stimulus, while a significant jump in the iron ore price was the principal catalyst for a re-rating of the three largest local miners BHP, Fortescue and Rio Tinto. JB Hi-Fi released its 1H21 results, which showed an increase in sales of 23.7% on 1H20. The strong result was driven by the continued elevated customer demand for consumer electronics and home appliance products, as well as the exceptional growth in online sales, up 161.7% to \$679 million. BlueScope Steel is expecting 1H21 EBIT of approximately \$530 million, exceeding previous guidance of \$475 million. Australian Steel Products has delivered its strongest domestic mill sales volume in a decade, while Building Products Asia & North America delivered a preliminary result approximately double that of 2H20.

Investment Index/Benchmark returns*

S&P/ ASX 200 Index

Sector	1 Month	3 Months	1 Year
Consumer Discretionary	4.69%	14.67%	11.39%
Communications	2.70%	15.97%	-0.61%
Financials ex-Property	2.20%	18.05%	-8.51%
Consumer Staples	2.10%	3.68%	0.18%
Energy	1.28%	28.95%	-27.20%
Information Technology	0.38%	14.93%	42.52%
Utilities	-0.09%	-4.07%	-17.23%
Materials	-1.10%	15.48%	14.88%
Health Care	-1.85%	-4.07%	-8.79%
Industrials	-2.99%	5.96%	-16.56%
Property	-4.06%	9.10%	-13.96%

*Total returns based on GICS sector classification

Market Update

BIG MOVERS THIS MONTH

Going up

↑	Consumer Discretionary	+4.7%
↑	Communications	+2.7%
↑	Financials ex-Property	+2.2%

Going down

↓	Property	-4.1%
↓	Industrials	-3.0%
↓	Health Care	-1.9%

Global Equities

	Index/Benchmark (% pa)	1 Month	1 Year	3 Years	5 Years	7 Years
Global	MSCI World Ex Australia Index (AUD)	-0.45%	0.87%	10.35%	11.57%	11.76%
	MSCI World Ex Australia Index (LCL)	-0.80%	13.28%	8.59%	12.70%	10.37%
	MSCI World Ex Australia Small Cap Index (AUD)	2.77%	6.14%	9.48%	12.18%	11.17%
Emerging	MSCI Emerging Markets Index (AUD)	3.66%	11.59%	6.32%	13.17%	9.65%
	MSCI AC Far East Index (AUD)	3.14%	12.20%	8.17%	12.16%	11.12%

Global shares were down over January as vaccine rollouts hit logistical roadblocks in the US and Europe, while the emergence of new viral strains of Covid-19 put a dampener on sentiment. With valuations stretched, some form of correction was to be expected, but stocks remain buoyed by the economic recovery. Since reaching their March 2020 low, the rebound in global equities has been largely led by large cap growth companies, however their beaten down cyclical counterparts experienced a pronounced recovery in the December quarter. Growth companies have been supported by persistently low interest rates, while value companies have benefitted from positive vaccine news and the reopening of economies. The US S&P 500 Index traded down through January before moving to fresh all-time highs in early February. Microsoft's December quarter results beat estimates, revealing strong performance from Personal Computing, driven by home office and schooling needs. Alphabet (Google) also surpassed expectations, lifting revenue by 23% on the prior corresponding period, boosted by YouTube advertising, which delivered a 46% jump in revenue. Asian markets were a bright spot in January, with Japan's Nikkei 225 Index rising 0.8%, China's CSI 300 Index gaining 2.7% and Hong Kong's Hang Seng Index up 3.9%.

Property

	Index/Benchmark (% pa)	1 Month	1 Year	3 Years	5 Years	7 Years
Australian	S&P/ASX 200 A-REIT Acc Index	-4.06%	-13.96%	5.14%	5.88%	9.96%
Global	FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)	-0.44%	-14.96%	0.32%	3.52%	5.41%

Australian listed property had a rough start to 2021, falling 4.1% in January as reports of new Covid-19 cases emerged and a drawn-out return to 'normal' appeared more likely. As the vaccine rollout progresses and lockdown restrictions ease, sold-off sectors such as retail may continue to strengthen and close the valuation gap with in-favour sectors such as industrial and specialised. Non-discretionary retail centres anchored by the big supermarkets and large format stores (such as Bunnings and JB Hi-Fi) have proved resilient, but discretionary mall valuations have come under pressure as owners renegotiate rents or offer better incentives to tenants. With the JobKeeper scheme set to expire at the end of March, it is anticipated that the government's code of conduct for commercial tenancies may also cease at that time, presenting some uncertainty for SMEs in the short term. The December housing report highlighted the strength of Australia's residential market, with turnover, prices, financing activity and dwelling approvals all posting strong gains.

Market Update

However, while vaccine announcements are positive for sentiment, until there is a widespread vaccine rollout, migration numbers (and commensurate population growth) will remain subdued and significantly below the levels of previous years.

Fixed Interest

	Index/Benchmark (% pa)	1 Month	1 Year	3 Years	5 Years	7 Years
Australian	Bloomberg AusBond Composite 0+ Yr Index	-0.42%	1.68%	5.36%	4.22%	4.78%
	Bloomberg AusBond Bank Bill Index	0.00%	0.29%	1.21%	1.48%	1.77%
Global	Bloomberg Barclays Global Aggregate Index (AUD)	-0.31%	-6.75%	6.02%	2.74%	4.63%
	Bloomberg Barclays Global Aggregate Index (AUD Hedged)	-0.57%	2.63%	4.66%	4.09%	4.86%

Australia's yield curve has seen a notable steepening in recent months. Rates at the short end of the curve are being held down by the RBA, while longer-term rates are rising as optimism surrounding vaccine developments builds and inflation expectations rise. At its February meeting the RBA left the official cash rate at 0.1% but expanded its bond purchase program—due to finish in mid-April—announcing it will purchase an additional \$100 billion of bonds issued by the federal and state governments. Other unconventional monetary policy measures, namely yield control on 3-year Treasuries and the Term Funding Facility, remain unchanged. The US yield curve, as measured by the spread between the 10-year and 2-year government bond yields, reached its steepest level since late 2017, with Biden's win paving the way for more fiscal stimulus. There are fears that inflation could return to markets as the pandemic subsides and large-scale stimulus washes through the economy, however current inflation rates are still low. In Australia, the CPI increased by just 0.9% over the year to the December quarter and wages are rising at the slowest rate on record. In the US, the core PCE inflation rate (the Federal Reserve's preferred inflation measure) was 1.5% year-on-year to December.

Australian dollar

The Australian dollar was weaker in January, falling 0.7% against the US dollar to end the month at USD 0.76, but has been rising consistently since the depths of the pandemic, thanks to a weaker US dollar and rising commodity prices. The RBA's bond purchases have helped to lower interest rates and ensure the dollar is lower than it otherwise would be.

The information in this Market Update is current as at 10/02/2021 and is prepared by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421445 on behalf of National Australia Bank and its subsidiaries. Any advice in this Market Update has been prepared without taking account of your objectives, financial situation or needs. Before making any decisions based on the content of this document, the reader must consider whether it is personally appropriate in light of his or her financial circumstances or should seek independent financial advice on its appropriateness. Past performance is not a reliable indicator of future performance. Before acquiring a financial product, you should obtain and read the corresponding Product Disclosure Statement (PDS) and consider the contents of the PDS before making a decision about whether to acquire the product.