



DAVE WHAMOND

Will 2021 be as boring as 2020?

23 December 2020

By Paul Miron
Managing Director of Msquared Capital

I am sure, with millions of other Australians, we are all collectively looking forward to the holidays. Whether that be spending time with the family or re-exploring our new covid-19 freedoms, whilst holding our breath that current and future outbreaks are contained.

12 months ago I wrote in an article titled **"2019 was one of the most action-packed years"**. 2020 has left 2019 for dust, by comparison, we had bushfires, droughts, floods, Covid-19, crazy US election, riots, and an ongoing trade war with our largest trading partner just to name a few. I never imagined I would be saying that I truly hope for a boring, safe, and mundane 2021.

Despite Covid-19 being a catalyst of such significant disruption, both economically and socially, Australia has set a gold standard on how best to deal with this crisis on both fronts. We truly have to appreciate either our good fortune or attribute it to good management. Either way, I have said this on many occasions, Australia is indeed one of the luckiest countries in the world. Despite most of the world entering in 2nd and 3rd waves with the added calamity of a possible mutant Covid-19 variant, relatively speaking we have done an exceptional job.

There is very promising news regarding multiple vaccines being approved. Specifically the Oxford vaccines as early as Jan 2021, could prove to be the most instrumental in being able to scale up immunisations in a short period of time^[1].

(1) <https://www.afr.com/politics/federal/oxford-astrazeneca-vaccine-could-be-approved-by-january-20201213-p56n2k>

This would exceed even the most positive expectations by economists and governments, signaling that next year economically and socially could bounce back to normality quicker than originally anticipated.

Property Market

- It was always Msquared's view that the residential property market would be resilient, not falling more than 5%, even during the peak of uncertainty and during the darkest times in the midst of the crises.
- This year has tested one of the most prolific and powerful economic theories' by the late [Milton Keynes](#) the "Wealth effect".

As long as the perception of household's wealth is not eroded, households will maintain their spending which forms a pillar of a stable economy. We have seen consumer spending and consumer confidence swing widely during the year as Covid-19 uncertainties have plagued our spending habits, behavior, and our sentiment. We need to keep in mind that most Australian's wealth is indeed held in residential property.

Therefore, the absolute best-proven penicillin for an economic recovery is for a stable residential property market. This year has demonstrated how governments are acutely aware of this and are prepared to take the necessary action to preserve the value of the health of the property market.

- Property prices collapse on the back of oversupply of property, the collapse of markets, long term deterioration of employment, government intervention to supply of bank finance, sudden increase to the cost of capital and rates. Which we saw none of these elements' playout during this year's crises.
- This formed the basis of why we believed that the market would be resilient. Despite our optimism, it is important that not all property markets and geographical areas are equal, we could see some property corrections next year in certain segments and investors should be wary.
- The unprecedented government actions with Job seeker, Job keeper and Quantitative Easing (QE) programmes have kept so many businesses afloat, time will tell whether we are only seeing the tip of iceberg when it comes to Zombie companies and how this will play out once the music stops regarding the support of these programmes.

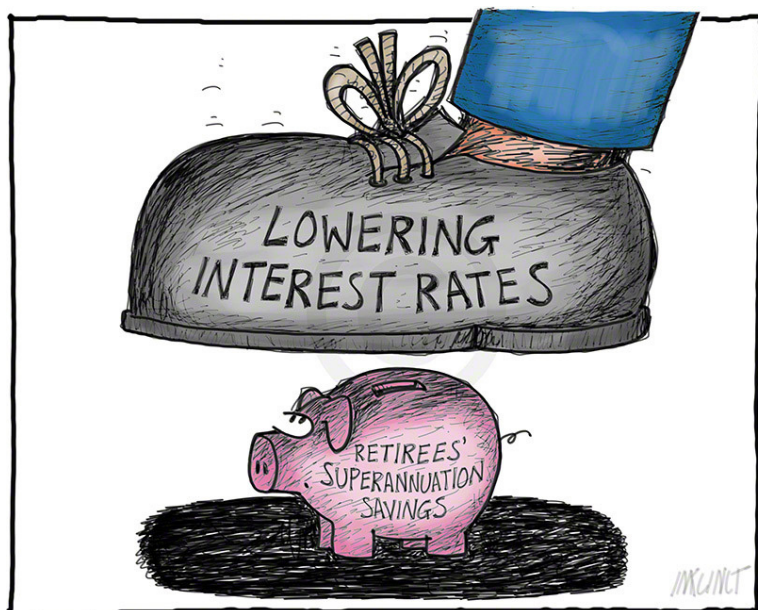


Is there an Endgame to COVID-19 in sight?

By [Paul Miron](#)
[Managing Director of Msquared Capital](#)

Investing in a Low Interest Environment

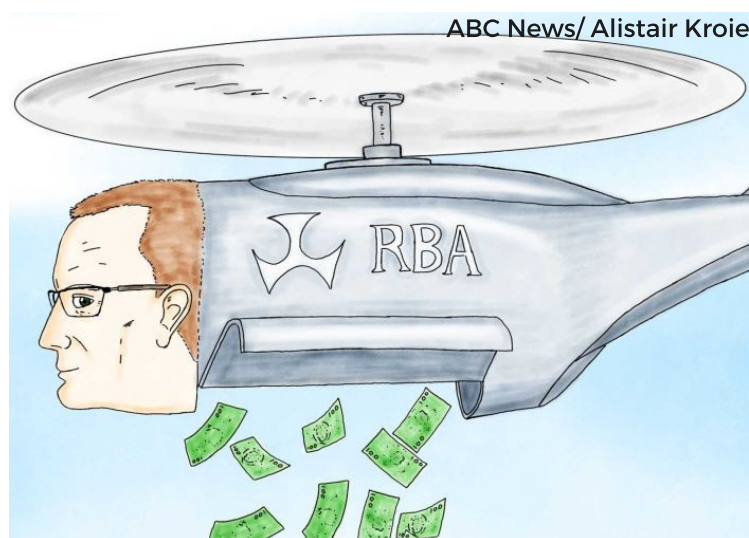
- There is one evolving crisis that is worthwhile mentioning, the release of a 648 page report 'Retirement Income Review Report' recently published, which the government is grappling with at the moment. One of the key findings, retirees do not like to dip into their capital savings and do at the last resort.
- The report that SMSF trustees and retirees lack income-producing investments in their portfolio which directly impacts their quality of life in retirement. This is a crisis in the making and is further exacerbated with low-interest rates, cemented by RBA's moves on QE to support the wider economy. Therefore, retirees are faced with moving capital from cash styled products, going up the risk curve, and becoming active investment managers themselves.



- Federal Treasurer Josh Frydenberg mentioned that they were working on solutions, investors should understand the risk.

- The government is placed in a difficult position in supporting the wider economy at the cost of limiting the effectiveness of SMSF and retirees cash styled options in the current market.

Msquared Capital is a private credit fund manager and is an alternative asset class that provides an income producing investment whilst being secured by bricks and mortar, typically over property in Sydney. In our view, we do not believe that there is a lack of opportunities to bridge the gap for regular and consistent income.



How Lowe Can You Go?

By Paul Miron

Managing Director of Msquared Capital

It is the case that many investors either do NOT have access or simply unaware of the nature, benefits and the risks of investing in the mortgage sector.

Msquared Capital believes that anyone who is considering investing in mortgages should be given the right platform, tools, and variety of opportunities to ensure that they are in the driver's seat when it comes to managing their mortgage investments. These are the principles in which we have founded the fund and specifically offer the structure where each investor can choose from a variety of different mortgage opportunities that best suits the individual investor.

I am always interested in hearing investor's points of view on any future topics they wish Msquared to explore in future editions. Conversely for those who are not on our database and wish to receive our monthly articles and regular investment opportunities please feel free to subscribe. You might like to read my past newsletters...

Will Property Continue to be Resilient?

<https://www.linkedin.com/pulse/property-continue-resilient-paul-miron/?trackingId=XetwHh9Kv0P7y7Kw1sAEdQ%3D%3D>

How Lowe Can You Go?

<https://www.linkedin.com/pulse/how-low-can-you-go-paul-miron/>

Australian Property: From Doom to Boom

<https://www.linkedin.com/pulse/australian-property-from-doom-boom-paul-miron/>

Is there an Endgame to COVID-19 in sight?

<https://www.linkedin.com/pulse/endgame-covid-19-sight-paul-miron/>

Are we sure we are in a recession?

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We are always keen to hear from prospective investors who wish to understand more on our offering and you can do that by simply calling us direct or organise for a face to face meeting with one of the directors.

From Msquared Capital, we wish you and your families both a safe and enjoyable time during the holiday period and look forward to a better and brighter 2021.



If you would like to see live opportunities please feel free to get in contact with us a
info@msqcapital.com.au