

Unity and Healing

Let's work as a team, and do it my way – The Twelfth Man [as Richie Benaud]

Pres Biden ran on relatively little. He didn't need to. But the things he did talk about were **unity and healing** – he said "unity" 8 times in the inauguration speech. A "*President for all Americans*," Biden called himself. In fact, he's so symbolic of unity that his own inauguration on 20/1/2021 is now celebrated as the **National Day of Unity!**

A long time back, back in the Trump Administration, **heavy use of Executive Orders was considered dictatorial** – attempts to bypass Congressional oversight, to avoid the proper legislative process.

Of course, that does not apply to Pres Biden's 42 Orders (more in 10 days than Presidents Washington to Harrison managed in 52 years). These address pressing threats to US safety such as...post-COVID xenophobia at Pacific Islanders, and overly-cheap insulin, and replacing migrant "tent cities" with "*soft-sided semi-permanent structures*."

The Administration begins with no official view on **whether Biden's predecessor Trump can, let alone should, be impeached**. Presidents are rarely asked this question about their predecessor, because impeachment is constitutionally a removal trial, by definition. The Chief Justice has declined to preside.

In our view, the trial is **constitutional but undesirable**. There is sufficient precedent (Sec Belknap in 1876 is enough, but British law contains other contemporaneous examples from the 18th century), and sufficient public interest in disqualification– particularly since the Articles were passed during the term.

But their targets are not only Trump. Rep Greene (R-GA14) was removed from committee roles. Unlike congressional Democrats, her promotion of conspiracy theories occurred **on social media before her election**, rather than on the floor of the House. There are attempts to expel Sen Cruz (R-TX); Sen Hawley (R-MO) had private contracts revoked based on congressional votes. **This is an unusual direction for a country espousing freedom.**

Greene's historical posts had repercussions. Unlike (for example) Press Secretary Psaki's posting a conspiracy theory that Sen Graham (R-SC) was a closeted homosexual unkindly referred to as "Lady G." **Psaki remains employed** by and in the White House.

Another social media post was widely condemned. It read:

If you see anybody from the [NY State Gov.] Cuomo Administration in a restaurant, in a department store, at a gasoline station, you get out and you create a crowd. And you push back on them. And you tell them they're not welcome anymore, anywhere.

"Terrifying," "*targeting and incitement is simply wrong, and totally unacceptable*," "*way way way over the line*," "*unacceptable and ridiculous*" summarises the horrified Democratic officials' reactions. **Even from those who recognised and acknowledged the quote was from Rep Waters (D-CA43)**, "Cuomo" for "Trump."

Democrats such as Speaker Pelosi and VP Harris endorsed protests, and even unrest. Harris raised funding for protesters arrested for violence. Two Republicans were seriously injured, Rep Scalise (R-LA1) almost fatally during a mass shooting by a Sanders campaigner. Dozens, including Madonna, have publicly discussed assassinating Trump.

Many Trump associates are or were in jail, often deservedly so. Less obvious was the prosecutions around Trump's extortion by Stormy Daniels. There were 4 people involved:

The extortionist (Daniels). The victim (Trump). The extortionist's lawyer (Avenatti). And the victim's lawyer (Cohen). Of this group, Cohen was jailed – an **oddly asymmetric interpretation** of electoral laws.

Conversely, of all the apparent crimes leading up to the 2016 spying on the Trump campaign, **Clinesmith was sentenced to community service for falsifying evidence** to the Foreign Intelligence Surveillance Court – and no one for sourcing the Steele Dossier. Nor was any jail time included in comparable campaign finance crimes by the Sanders or Obama campaigns.

Trump's addressing a protest was called "sedition" – "coup" and "insurrection" were terms universally used. Speaker Pelosi asked the military chiefs to not take his orders until his term expired, and demanded (on *quid pro quo* of impeachment) that Cabinet apply the 25th Amendment to remove him. These were apparently uncontentious.

A divisive issue for the population as a whole is **free speech**, something not codified in most countries. Even in USA, speech is only protected (with limited exceptions, primarily around injury to others) from government action. Legally, there are three questions:

Is Big Tech colluding with the Administration, and previously with the House majority?

That would indicate **prima facie unconstitutional acts** – probably **impeachable**.

Do they lose the protections of s230 of the Communications Decency Act by intervening selectively?

Nobody charges Telstra with terrorism offences just because somebody uses a telephone for a crime – they are not "publishers" **until they arbitrate on speech**.

It is monumentally stupid to block platforms where criminal behaviour occurs publicly. If criminals promote their plans on Twitter, or Gab, or Parler, then police should spend their time on Twitter, Gab or Parler catching criminals red-handed.

Parler lost its CEO, and possibly its business, for **allowing people to speak unmoderated**. A premise which was the founding basis of Twitter – and Jack Dorsey's politics have never been described as "far right." But **demands for moderation go far beyond moderating criminal conduct** (including incitement and harassment).

Finally: *Is partisanship intended to affect election results caught up by the same laws that see Michael Cohen languishing in jail?*

One would have thought it a stretch before 2018, but *is prohibiting the world speaking about Biden family corruption allegations more influential than paying Stormy Daniels not to speak about Trump violating NY Penal Code § 230.02?*

Who would decide what speech is permitted? A "Reality Czar," suggests the *NY Times*. Such a government official would have declared that questioning the official line about Iraq WMD intel ahead of the 1998 war was "*dangerous disinformation*." Under a proposal by Rep Murphy (D-FL7), this view would exclude a person from security clearances, or government and military jobs. So would attending a non-approved protest. People are already **detained at airports** for attending "Stop the Steal" (but not BLM) protests – not for any criminal escalation, but just for attending. (It remains legal to believe the 2016 election was stolen.) **25000 National Guard troops were investigated for "loyalty"** (politically, not to the Constitution), and referred for disciplinary action for wrong political views.

But **threats extend further than protest attendees**. "*The Republican Party needs to be burned down*" – Jim Comey. Brennan linked "*religious extremists, authoritarians, fascists, bigots, racists, nativists, even libertarians*" to foreign insurgencies, like ISIS – in the context of a "war on domestic terror" outlined in HR 350 *Domestic Terror Prevention Act 2021*. **Libertarians??** Former Rep Gabbard (D-HI) called this "KGB-like" – and she is right.

And that's before the new (Democrat-voting) States and Supreme Court stacking.

Leading Markets

US markets gave up early gains. The S&P500 and Dow Jones lost -1.0% and -2.0% respectively, only NASDAQ gained +1.4%.

MSCI World ex-AUS slide -0.8% in local terms. Emerging Markets rose +3.1% in \$US with Asia up and LatAm down; Frontier Markets were +0.4%.

US 10-year bonds sold off, closing at 1.11% (+18bp). High yield closed at +384bp (-2bp tighter).

Other Highlights

COVID-19 deaths reached 2m from 100m cases. Early vaccine logistics problems coupled with side effects (and some reported deaths in Norway) cast a cloud over market optimism.

The US had a stock manipulation scandal as GameStop jumped 20-fold, prompting calls for further regulation.

US Q4 GDP estimate of +1% (4% p.a.) was at the upper end of economists' forecasts. The year's GDP was -2½%.

The final acts of the election season saw violent protests and a surprise Democrat win in the Senate runoff elections. The new Biden Administration attacked North American energy production.

US unemployment was steady at 6.7%. Non-farm payrolls fell -140k. Youth unemployment spiked to 12.5% (+0.9%) on COVID shutdowns. CPI rose +0.2% to 1.4% YoY. Retail sales fell -0.7%.

Eurozone unemployment eased to 8.3% (-0.1%) on a plunge in participation to 55.6% (-1.1%) during lockdowns. YoY inflation remained negative (-0.3%). Germany surprised with +0.1% for Q4 GDP, although the EU likely contracted. Retail sales slumped -6.1%.

The EU and UK have ongoing disputes post-Brexit, including borders and bans on COVID-19 vaccine exports from Belgium.

China's yuan traded through 6.5 per \$US ahead of the 14th Five Year Plan. GDP grew an astonishing +6.5% in 2020. Prices rose +0.7% in December, emerging from deflation. December's trade surplus of +\$US78.2bn set a record.

Japan's deflation deepened to -1.2%.

Domestic

There was no January RBA meeting, with no major policy changes likely in February.

The ASX200 returned +0.4% while Smallcaps eased -0.3%. The 10-year bond declined in value to 1.13% (+16bp), a post-COVID high, following US weakness. Long bond returns are now negative over the year.

Most state borders reopened as NSW went days without new COVID cases.

Australia is likely to get less support against China's trade hostility from a Biden Administration.

Headline CPI was high, at +0.9% in Q4 (mostly on tobacco's annual 20% increase), but core inflation was just +0.4% to stay +1.2% YoY. Producer prices slipped -0.1% in Q4.

The goods trade surplus jumped to \$9bn (vs \$2bn in November) as exports soared +16%. Q3's current account was +\$10bn (-\$6.3bn).

Retail sales fell -4.2% in December but was still +9.4% YoY.

Unemployment fell to 6.6% (-0.2%) on +50k jobs in Nov, including +36k fulltime. This offset participation rising to 66.2% (+0.1%). Hours worked rose +1%. Underemployment fell -0.9% to 8.5%. Youth unemployment dived to 13.9% (from 15.6%). Job vacancies were a record 254k.

Building starts rose +4% for houses, but units declined -7.5%. Housing commitments gained +5.6% to be +23.7% YoY.

New home loan commitments reached a record \$22.7bn in Oct (+0.7%), due to a 30% YoY increase for owner-occupiers.

Commodities and Currency

WTI oil jumped to \$US52/bbl (+8.0%), up over 50% since the US election. Gold slid to \$1844/oz (+-3%). Iron ore was little changed at \$155, off a high of \$170.

Base metals mostly gained: Nickel (+7.18%), Tin (+15.18%), Copper (+1.75%) and Aluminium (+0.46%) rose while Zinc (-5.82%) fell.

The \$A closed at US76.5c (-0.6%) against a slightly stronger \$US.

KEY FINANCIAL MARKET DATA – AS AT 31ST JANUARY 2021 (UNLESS SPECIFIED)**Interest Rate Markets**

Index Performance	1 month	3 months	6 months	1 year	2 year	3 year	5 year
					p.a.	p.a.	p.a.
AustBond Bank Bill Index	0.00%	0.01%	0.04%	0.29%	0.84%	1.21%	1.48%

Key Rates	Jan-21	Dec-20	Nov-20
Australian Cash Rate	0.10%	0.10%	0.10%
90 day BBSW	0.01%	0.01%	0.02%
3 Yr Commonwealth Bonds	0.11%	0.10%	0.11%
10 Yr Commonwealth Bonds	1.09%	0.98%	0.90%
CDX North American 5 Yr CDS	56bp	50bp	50bp
iTraxx Europe 5 Yr CDS	52bp	48bp	49bp
iTraxx Australia 5 Yr CDS	63bp	57bp	59bp
US Fed Funds Rate	0-0.25%	0-0.25%	0-0.25%
US 10 Yr Bond Rate	1.11%	0.93%	0.84%

Equity Markets

Domestic	1 month	3 months	6 months	1 year	2 year	3 year	5 year
					p.a.	p.a.	p.a.
S&P/ASX 200 Acc. Index	0.31%	11.89%	12.99%	-3.11%	9.93%	7.00%	10.03%
S&P/ASX Small Ord Acc. Index	-0.25%	13.03%	18.33%	5.38%	11.91%	6.68%	11.56%
S&P/ASX 200 A-REIT Acc. Index	-4.06%	9.10%	15.52%	-13.96%	1.43%	5.14%	5.88%

International	1 month	3 months	6 months	1 year	2 year	3 year	5 year
					p.a.	p.a.	p.a.
US: S&P 500 (\$US)	-1.01%	14.05%	14.47%	17.25%	19.45%	11.70%	16.16%
US: NASDAQ (\$US)	1.44%	20.00%	22.10%	44.09%	35.29%	22.05%	24.48%
MSCI World Acc. (Local Currency)	-0.77%	15.00%	15.06%	12.89%	15.63%	8.57%	12.64%
MSCI World Acc. (AUD)	-0.43%	6.54%	8.63%	0.74%	13.66%	10.27%	11.53%
FTSE 100 (£)	-0.79%	15.47%	10.19%	-9.20%	-0.33%	-1.41%	5.13%
MSCI Emerging Markets (\$US)	3.07%	20.88%	24.07%	27.90%	15.23%	4.42%	15.03%

Fixed Interest Markets

Bonds	1 month	3 months	6 months	1 year	2 year	3 year	5 year
					p.a.	p.a.	p.a.
BarCap Global Agg Acc. (Hgd AUD)	-0.57%	0.21%	-0.14%	2.63%	5.33%	4.66%	4.09%
AusBond Composite Bond Acc.	-0.42%	-0.80%	0.12%	1.68%	5.30%	5.36%	4.22%
ICE BoAML High Yield TR (\$US)	0.38%	6.39%	6.82%	6.57%	7.97%	5.79%	8.86%

Data*	Current Period		Previous Period	
<i>Employment Data</i>				
Employment Growth	December	50,000	November	90,000
Unemployment Rate	December	6.60%	November	6.80%
Participation Rate	December	66.20%	November	66.10%
<i>Lending Finance</i>				
Housing Finance	December	8.60%	November	5.60%
Personal Finance	December	-0.50%	November	13.20%
Business Finance	December	109.90%	November	-49.60%
<i>Other</i>				
Balance on goods and services	December	6,785m	November	5,022m
Retail Sales	November	7.10%	October	1.40%
Building Approvals	December	10.90%	November	2.60%

*All data is seasonally-adjusted.

Median Fund Manager Returns (Morningstar)	1 month	3 month	6 month	1 year	2 year p.a.	3 year p.a.	5 year p.a.
Australian Equity Large Cap	0.27%	12.55%	14.72%	-2.75%	9.30%	4.92%	8.25%
Australian Equity Small Cap	0.03%	12.02%	19.73%	8.22%	13.61%	7.13%	11.08%
Global Equity Large Cap	-0.22%	7.69%	10.16%	1.70%	11.96%	8.91%	10.15%
Global Equity Small Cap	2.17%	14.27%	21.83%	9.76%	14.56%	7.97%	10.52%
Australian Fixed Income	-0.42%	-0.53%	0.50%	1.77%	5.18%	5.11%	3.92%
Global Fixed Income	-0.69%	0.51%	0.23%	2.57%	5.29%	4.38%	3.68%
Australian Listed Property	-3.66%	8.90%	15.47%	-14.29%	0.82%	4.13%	5.17%
Australian Cash	0.01%	0.02%	0.04%	0.29%	0.84%	1.17%	1.46%
Conservative ¹	-0.35%	1.57%	1.97%	-0.30%	3.62%	3.08%	3.30%
Moderate ²	-0.23%	3.05%	3.66%	0.33%	4.71%	3.45%	3.99%
Balanced ³	-0.10%	5.50%	6.17%	0.65%	6.17%	4.27%	5.74%
Growth ⁴	-0.07%	7.52%	8.54%	0.16%	7.27%	4.76%	6.73%
Aggressive ⁵	0.08%	10.04%	11.27%	0.26%	9.01%	5.67%	8.47%

¹ Growth Assets 0-20%

² Growth Assets 21-40%

³ Growth Assets 41-60%

⁴ Growth Assets 61-80%

⁵ Growth Assets 80%+

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