Alan Boswell Financial Planners

Market Update - April 2020

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Global equities have fallen at a rapid pace since peaking in mid-February. It took just 19 days (on 12 March 2020) for the US S&P 500 index to enter an equity bear market (defined as a drawdown of more than 20%). This is the fastest on record from data going back over 100 years. We are in the midst of an unprecedented event for society and markets. This makes it difficult to give any short-term predictions with any certainty. These are challenging times, but we are encouraged by the scale of response by policymakers who have reacted strongly to recent market volatility and new measures of unprecedented scale are being released daily.

The bottom line is that global central banks are injecting liquidity direct to the corporate sector, reducing credit risk and providing a backdrop for financial markets to stabilise.

Aside from central banks willingness to provide liquidity to financial markets, governments around the world have stepped-up fiscal stimulus. UK Chancellor, Rishi Sunak, recently rolled out a £350bn rescue package to keep Britain's businesses and workers afloat through the coronavirus crisis. Meanwhile, the Trump administration has introduced a $2trn-plus fiscal package to backstop the US economy. European governments (including fiscally conservative Germany) have also introduced policy to support their respective economies.

Markets continue to look for more coordinated fiscal and monetary responses by the world's major economies to stabilise the global economy and keep markets liquid while also containing the coronavirus outbreak.

Encouragingly, population quarantines have led to a plateauing in the number of coronavirus cases in China and the recovery rate of those infected has risen to 85%. Restrictions on China's population are being eased. High frequency stats such as coal consumption and daily passenger volumes show that mainland economic growth is gradually beginning to recover. There is a risk of the virus reappearing, but we all should be encouraged to see how effective six weeks of containment has appeared to be. Should coronavirus cases top-out in the coming months this should create an environment for the market to find a trough. Once that happens, less demanding equity valuations, incremental policy easing and a loosening in travel restrictions will provide an opportunity for economies to recover and for equity markets to rally from their currently oversold positions.

Please note the following:

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