

# Weekly Bulletin

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## Monday | 30 March 2020



### Weekly Bulletin: A week's respite from falling financial markets

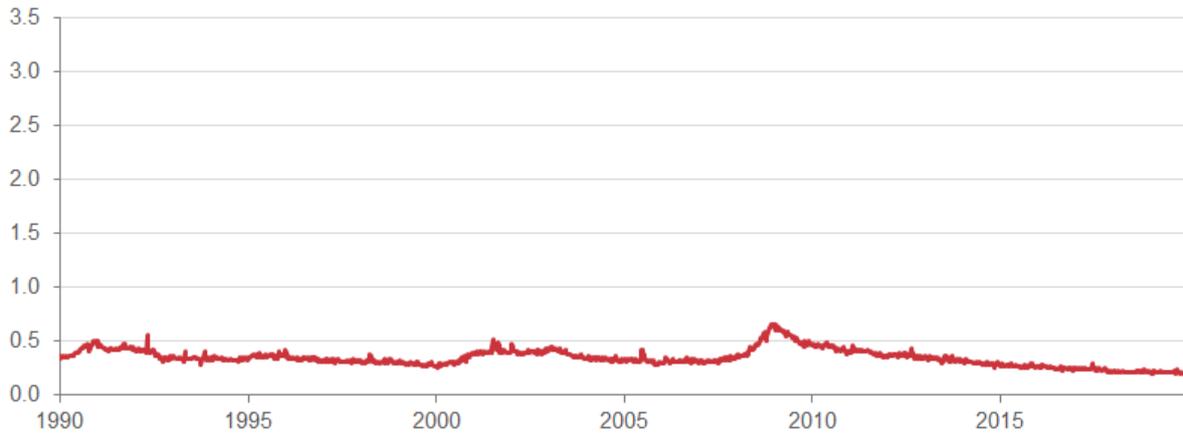
Last week, investors were offered some reprieve from sharp falls in financial markets, as policymakers worldwide carried on the fight against COVID-19. Europe remains at heart of the ongoing outbreak, with the US catching up rapidly.

- Policymakers across the globe continue to battle the impact of the COVID-19 crisis. From an economic point of view, this has meant central banks enacting yet more interest rate cuts and lifting some of their previous policy restrictions. The European Central Bank, for example, relaxed some of its rules around government bond purchases, and is looking to deliver 'outright monetary transactions', which aim to keep the costs of financing down for individual countries (in order to avoid a spate of government funding crises).
- However, it was the extraordinary US effort at economic support which stole the show last week. This involved an expanded asset purchase programme from the US Federal Reserve, but – most dramatically – a support package worth around 10% of the size of the US economy from the US government. This will include direct payments of around \$1,200 per head for most US citizens, \$250bn for unemployment insurance, \$350bn in loans for small businesses, and \$500bn in aid for specific industries.
- Across the planet, the COVID-19 crisis is creating its first economic victims and leading to 'wartime' decisions from world leaders. However, while we see individual pockets of strain, there are no clear signs of system-wide stress at this point, which is promising. Of course, economic data is beginning to show the initial signs of a sharp, sudden shrink in activity, but this is only to be expected.
- This remains a painful period, and headline news is likely to deteriorate further before we see any improvement. But while the immediate future is set to remain volatile, and the economic impact meaningful, long-term investors must try to look through short-term uncertainty. At Heartwood, we are looking to slowly increase exposure to attractively priced riskier assets, as we seek to take advantage of short-term opportunities presented by the extreme reaction of financial markets.

### Chart of the week

- Unemployment claims are exploding across the developed world. As the chart below shows, 3.3 million Americans filed for unemployment last week.

**A huge spike in US unemployment**  
**Initial claims for unemployment insurance in the US (millions)**



Source: FactSet

## What to look out for this week

- This week sees the release of some key economic survey data in China, which could indicate how well (and how quickly) the Chinese manufacturing and service sectors are moving on from the COVID-19 crisis, as businesses reopen.
- Global eyes will remain on the US, too, where internal travel bans and forced manufacturing priorities are coming into force. Last week, President Trump ordered General Motors to use its production facilities to make ventilators for COVID-19 patients.
- In terms of the ongoing path of the COVID-19 outbreak, the course of events in developing countries (in Africa in particular) will be critical.

	Index Levels	Last Week	Month-to-date	Year-to-date
<b>Equity</b>				
MSCI United Kingdom	1,573.2	6.2%	-15.9%	-26.1%
MSCI United Kingdom Mid Cap	907.2	6.8%	-22.5%	-31.3%
MSCI United Kingdom Small Cap	302.5	9.1%	-24.5%	-33.3%
MSCI World (GBP)	1,409.6	5.2%	-11.6%	-16.5%
S&P 500 (GBP)	2,541.5	4.8%	-10.9%	-15.2%
MSCI Japan (GBP)	880.3	11.4%	-1.5%	-8.4%
MSCI Europe ex-UK (GBP)	1,102.2	4.0%	-12.5%	-18.6%
MSCI Pacific ex-Japan (GBP)	1,259.3	-0.3%	-19.6%	-24.3%
MSCI Emerging Markets (GBP)	49,073.8	-0.2%	-13.2%	-18.7%
<b>Bonds</b>				
BoA Merrill Lynch Conventional Gilts	1,411.7	1.9%	2.5%	7.8%
BoA Merrill Lynch Index-Linked Gilts	599.4	8.7%	-0.2%	5.9%
BoA Merrill Lynch £ Corporate	421.0	1.7%	-7.4%	-5.1%
<b>Commodities</b>				
Oil (West Texas Intermediate, GBP)	\$21.8	-17.3%	-49.6%	-61.7%
Gold (GBP)	\$1617.3	2.9%	3.9%	14.5%
S&P / GSCI (GBP)	1,529.4	-5.0%	-25.3%	-36.7%

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**Past performance is not a reliable indicator of future results. The value of investments may fall as well as rise.** All performance returns are in GBP, while all index levels are in local currency.