Heartwood – Daily Market Update 24.03.2020

To help you in your conversations with clients during these difficult markets, for the foreseeable future, we will be sending you a daily market update email with the latest thoughts from the Investment team. This is also available in Investment Documentation on Lotus Notes.

What's happening?

- The UK seems to be a fortnight behind Italy on the COVID fallout, so health authorities (now encompassing the private sector) are bracing for a busy few months. However, the daily growth rate of new COVID cases across Europe is slowing to 10% from 15%.

- Over the weekend more countries took more stringent steps to lock down their populations; for example Italy has ceased manufacturing activity.

- To be clear the shock to economic activity in Q1, but more Q2, will be unprecedented. So too, is the policy response from central banks and fiscal authorities. So far the global fiscal response is c.2% of global GDP.

- Markets now await the US announcement on its enlarged fiscal package. US Treasury Secretary Mnuchin is asking for $2tn but the Democrats want assurances that stock buy backs will be postponed and non-profit organisations are eligible for help too. Dilly-dallying won't be taken kindly by markets, as the TARP (Trouble Asset Relief Program) debacle in 2008/9 demonstrated. That some senior policymakers are testing positive and/or in quarantine, is an added complication.

- Even the fiscally prudent Germans are about to pass a 10% of GDP (EUR350bn) package this week.

- Investors with anything but short-term horizons have benefitted from investing at times when valuations are this attractive. We are very gently topping up our equity weightings by 'averaging in' as we look through the recessionary valley.

Phasing guidance

- The Investment Directors have agreed to slightly lengthen the phasing timeline for new client money. Previously it was in three tranches (so over 2 months: t0, t1, t2).

- Until further notice the recommendation is to be in four tranches (so over 3 months: t0, t1, t2, t3).

- This is to reflect unusual markets and thin liquidity in some instruments. We anticipate reverting back in due course when market behaviours normalise.