

The Noise, the Numbers & the Nuance

Weekly Market Update | 27 March 2020

Welcome to our weekly newsletter, where we summarise the key market developments over the last seven days.



The Noise

- In a press conference on Monday evening, Boris Johnson announced the closure of all non-essential shops and told all UK citizens to stay at home unless absolutely necessary in an escalated effort to slow down the rapid spread of the Coronavirus. The new measures will bring Britain more closely in line with other European countries and will initially last for three weeks.
- Multiple governments have committed enormous stimulus packages to their economies this week in an effort to combat the economic slow-downs caused by the Coronavirus. The US Senate passed a \$2tn aid bill, the largest economic stimulus in US history. Germany topped up their stimulus package to €750bn, defying its own fiscal rulebook in an historic move to support its workers and businesses.
- Just over two weeks since the entire country entered full lockdown, Italy has seen the first signs of slowdown in both the number of new confirmed Coronavirus cases and Coronavirus deaths. Italian officials have reported that the worst of the outbreak may be coming to an end.



The Numbers

GBP Performance to 26/03/20	1 Week	YTD
Equity GBP Total Return (MSCI)		
UK (MSCI UK)	11.5%	-22.0%
Europe (MSCI Europe)	9.6%	-16.6%
US (MSCI USA)	4.1%	-10.8%
Japan (MSCI Japan)	4.7%	-11.4%
Emerging Markets (MSCI Emerging)	5.7%	-16.4%
Fixed Income GBP Total Return		
UK Government (Barclays Sterling Gilts Index)	6.8%	7.3%
Investment Grade Hedged (Barclays Global Aggregate Corporate Bond Index)	3.2%	-6.4%
High Yield Bonds Hedged (Barclays Global High Yield Index)	4.7%	-17.1%
Currency moves		
GBP vs USD	6.3%	-8.0%
GBP vs EUR	3.0%	-6.4%
GBP vs JPY	5.2%	-7.2%
Commodities GBP return		
Gold (in £)	4.1%	16.7%
Oil (in \$)	-17.0%	-58.8%

Source: Bloomberg, data as at 26/03/2020



The Nuance

After weeks of falling asset prices, markets have started to recognise the value in beaten down stocks. Volatility has declined whilst both equity and bond markets have stabilised slightly. Buyers flooded into distressed bonds, the prices of which have plummeted dramatically in the last few weeks, now making yields look attractive in this space. In equities, a significant turn in momentum has seen investors moving away from fear and start to look favourably at attractively priced companies.

Trying to determine whether the rally of the last few days will be sustained is pure speculation, but in the short-term this week has certainly been positive for investors across the asset classes. Last Friday, we called our second out-of-cycle Asset Allocation Meeting of this year. We made the decision to increase our weighting to equities across the risk grades to reflect a more constructive risk-taking approach. We executed the change on Monday allowing us to participate in the subsequent market rally.

The move topped up our exposure to some existing names but also introduced 2 new names to the portfolios: Accenture (the leading technology consulting group) and SAP (a leading European software company). Amongst the additions to our favoured holdings, we also reintroduced Unite Group (a UK-based developer and operator of student accommodation), after a significant price drop in the stock gave us an attractive entry point. We continue to make active, dynamic changes to client portfolios to preserve wealth and ensure they are well positioned to participate in the recovery we expect to see on the horizon.



Quote of the week

"The person who keeps drawing on my face obviously likes to make jokes." An unnamed Italian priest.

A quarter of the world's population is now living in lockdown and people are gradually learning to adapt to the new lifestyle they are being forced into. For some, the learning curve is steeper than others. A commendably dedicated Italian priest this week attempted to deliver a sermon over video conference, and it's fair to say that it didn't quite go to plan. He was unaware that he had turned on video filters by accident. As he began his service, his phone filters transformed his face into a boxer, a wolf and a wizard, to name but a few. The priest was unimpressed and believed that someone was playing a prank on him, scolding whoever was "drawing on his face", but Twitter users who had tuned in welcomed the much needed comic relief in these difficult times. If this sounds like something you simply have to see for yourself, [the video can be found here](#).

Source: [telegraph.co.uk](https://www.telegraph.co.uk)

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