

COVID-19: Weekly Round-Up

4 April - 9 April 2020

IN BRIEF

- All eyes were on the duration of the lockdown as countries such as China lift the shroud over economic activity.
- The US market continued to be volatile, however Trump's announcement of constructive conversations with Saudi Arabia and Russia helped stabilise oil pricing in overnight trading.
- The Bank of England announced that it will directly finance the extra government spending as a result of the coronavirus outbreak.

OUR VIEW

Monday 6 April

All eyes were on the duration of the lockdown as countries such as China lift the shroud over economic activity. This is important for Europe and the US as in the weeks ahead they look forward to balancing new cases whilst progressing with economic liberalisation. There has been much debate as to the shape of economic activity caused by the virus. At the optimistic end is the V shaped recovery which implies a short sharp drop followed by a rebound that recaptures most of the postponed growth. A U shaped recovery implies a slower rebuild and longer overall duration. Investors will be happy to look through some of the operational unknowns of easing restrictions if there is at least a sign that the virus is coming under control at a headline level.

Tuesday 7 April

Italian and Spanish new case growth slowed, resulting in buoyed sentiment and a 7% rally in US equity markets the day before. Both Italy and Spain represented the epicentre of the European impact and therefore are expected to be the first in Europe to see the flattening of their respective new case curves. Clearly there are still unknowns, particularly as to whether the state-by-state lockdown in the US will be effective, however there are hopes that the duration of a lockdown might be more likely to be closer to 2 months than, say, 6 months.

Wednesday 8 April

The US market closed in negative territory despite a buoyant European session and the US index being up over 3.5% earlier in the day. This late sell off appeared to be linked to the fall in the oil price which in normal markets may not spook sentiment but at a time with little other information, was sufficient. After the markets closed US President Donald Trump announced that he had had constructive conversations with the leaders of Saudi Arabia and Russia which had increased his expectations of an end to the oil price war between the OPEC+ nations. This helped stabilise the price of the commodity in overnight trading.

Thursday 9 April

In the eurozone, the philosophical differences between a fiscally conservative north and an economically curtailed south continued to be shown. While talks will continue among Eurozone finance ministers these differences are being supercharged by the huge economic and social impact of Coronavirus in Italy and Spain. While Italians are still broadly supportive of EU membership, faith in the euro currency has been wavering and a lack of agreement on unconditional region-wide fiscal support could entrench this further.

FOLLOW US



You can keep up to date with our daily briefings on our website or, if you're short on time, we also post a 60 second video update from Edward Park, our Deputy CIO, every morning, before 9am, offering a quick market overview.

Available via [Twitter](#), [LinkedIn](#) and our [web page](#).

Important information

Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Past performance is not a reliable indicator of future results. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets.

The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies.

Brooks Macdonald Asset Management Limited is regulated by the Financial Conduct Authority. Registered in England No 3417519. Registered office: 21 Lombard Street, London EC3V 9AH. Brooks Macdonald Asset Management (International) Limited is licensed and regulated by the Guernsey Financial Services Commission. Its Jersey Branch is licensed and regulated by the Jersey Financial Services Commission. Brooks Macdonald Asset Management (International) Limited is an authorised Financial Services Provider, regulated by the South African Financial Sector Conduct Authority. Registered in Guernsey No 47575. Registered office: First Floor, Royal Chambers, St. Julian's Avenue, St. Peter Port, Guernsey GY1 2HH.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com.