BROOKS MACDONALD

COVID-19: Weekly Round-Up

14 April - 17 April 2020

IN BRIEF

- Markets start the week in positive mood, following an improved outlook for corporate credit and oil prices.
- Germany announced that it would begin a gradual exit strategy from the 3rd of May.
- Leaked news on testing of a drug to combat Covid-19 by Gilead helped to boost sentiment.

OUR VIEW

Tuesday

US markets closed up 12% in the shortened week pre-Easter as new case growth fell globally and an undercurrent of monetary and fiscal support helped keep sentiment buoyant. Many global markets had entered 'bull market' territory having recovered against late-March lows, however European markets remain relative underperformers year to date. In to the new week, markets are continuing to feed off two key positives. First, the step by the US Federal Reserve to expand their support in the corporate credit market for 'fallen-angel' companies that might slip from investment grade to high yield. Second, the oil production cut finalised by OPEC+ over the weekend might not fully offset the current falls in oil demand, but it sits in positive contrast to the previous desire by Saudi Arabia to flood the market to attain market share.

Wednesday

Global equities rallied further on Tuesday but the US continued to lead the charge with a 3% gain. To give you some context to how sizeable this relative US rally has been, the US index is now off 12% from the start of the year compared to Europe which is closer to 20-25%. This reflects the willingness of the US to produce outsized stimulus, both fiscal and monetary, to combat coronavirus which stands in sharp contrast to the difficulty Europe is facing in producing coordinated responses alongside the raft of political challenges the bloc faces. The structural economic issues within the Eurozone also makes it particularly exposed to any global downturn in growth. Whilst markets are weaker today the general theme is an increased focus on when lockdowns will begin to be lifted in Europe and the US. Markets appreciated comments from White House economic advisor Larry Kudlow suggesting that announcements over a plan to reopen the economy will be announced in a matter of days.

Thursday

Wednesday took a decidedly risk off tone as a flurry of earnings and hard economic data reminded investors of the sharp contraction in economic activity that is occurring. Amongst the data US Retail sales was a focus with an 8.7% fall month-on-month for March, worse than expectations and around double the largest monthly fall during the financial crisis. The more positive news came from German Chancellor Angela Merkel as

Germany announced that it would begin a gradual exit strategy from the 3rd of May. Schools and small shops will open on that date, but this will be the beginning of a series of lagged measures with bars and restaurants still remaining closed. This development came after European markets had closed so is helping support sentiment in today's session.

Friday

The final gains for UK and US markets were fairly muted on Thursday despite some large intraday swings as investors absorbed the latest economic data. After the close however a speech by Donald Trump on the US's exit strategy combined with positivity around a Gilead drug helped boost sentiment. Gilead has been testing Remdesivir in Chicago and leaked news so far has been encouraging with the majority of patients treated showing improvement and being discharged. Earlier in the day, Chinese GDP data for Q1 2020 showed a -6.8% fall year on year which is the first year with a fall in over forty years and a dramatic decline for a figure that has previously stayed stubbornly above 6% growth. Despite this, Asian equity markets have held onto positive day's gains. As we have seen with previous data, as long as investors have a shortening timeline for the lockdowns, they are willing to look through quite how bad the impact is of the closure of economic activity.

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**.