

Heartwood – Market Update – 17.04.2020

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.

What's happening?

- A broadly lacklustre day in stock markets yesterday, but news overnight that 29 US States are in the 'ball game' to re-open soon is likely to mean stock markets finish the week on the front foot.
- Virus update – at the time of writing, there are now 2.16 million infected cases and 145,000 deaths, but the curves are again flattening in most places.
- There was a glimmer of hope yesterday from one of the therapeutic drug trials: Gilead Sciences' antiviral medicine Remdesivir has seen encouraging results in a clinical trial with rapid recoveries in patients' fever and respiratory symptoms. The stock rallied 15% on the news.
- The economic impact on the US economy continues to be exhibited by the data as the latest jobless claims showed another 5.25 million claim for unemployment benefits last week. That number was less than the consensus had feared. Nonetheless, that equates to 22 million filings since the lockdown began, which has now eradicated all of the 21.5 million jobs added during the expansion that started in June 2009. That is around 10% of the non-farm workforce in the US.
- Investment flows are always a useful source of information and Blackrock updated the markets yesterday to show that they saw \$35.4bn of outflows in its fixed income range during the Q1, while \$52bn in inflows into its cash-management business. Most interesting was the aggregate inflow of \$3.2bn into its equity range over that quarter.
- Despite the pandemic, the UK government is sticking to its Brexit timeline and says it will reject any EU request to extend the Brexit transition period. Sterling was relatively unmoved by this news over the day.
- As we know, forecasting is a waste of time, but nonetheless the gap between the highest and lowest year-end forecast for the S&P 500 by 18 of the major Wall Street strategists is 950 points. That is the widest gap ever on record and just goes to illustrate that the level of uncertainty around the virus and its impact on corporate earnings is vast.
- As ever there is always a winner in any crisis and Netflix is one of them for obvious reasons given the lockdown. Its share price hit an all-time high earlier this week, but

worryingly it is trading at 10x sales and given the likes of Disney are coming up fast in the streaming world, the valuation looks challenging going forward!

Income funds

- Jaisal has recorded a short podcast covering the key points from the note circulated on Tuesday on the income funds' distributions. The link will be sent to Client Facing later this morning for use with interested clients.