

Heartwood – Daily Market Update 09/04/2020

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?

- Markets in Europe were flat to slightly down yesterday, while the US was up over 3% as news of a potential accord between OPEC producers lifted sentiment.
- Overnight, markets in Asia were generally up between 1% and 3%, while European and US futures point to a positive opening for those markets today. Gold continues its recent resurgence, while safe-haven bond yields have nudged up marginally, although nothing of note.
- Oil spiked higher after Russia signalled it is ready to make production cuts, as an unprecedented accord between the world's largest oil producers moved closer to agreement. Producers are considering a cut back in production to support the oil price.
- Global cases of COVID-19 reached 1.5 million, up 50% in less than a week.
- After a few days of positive momentum regarding the virus, the rise in new infections in Europe has cast a cloud over the eventual end to the lockdowns currently in force. Italy said on Wednesday that it had recorded its highest number of cases in three days, Spain the most in four days, Germany the most in five days, while the UK reported a record number of deaths due to COVID-19.
- Nonetheless, the conversation continues to lean toward the 'exit' strategy and Italy is firmly in discussion about how that may be achieved. Some companies and shops may resume operations as soon as 13 April and citizens may be allowed to go outside and gradually return to offices as of 4 May. Austria, Denmark and Norway have outlined a gradual lifting of restrictions after Easter and Germany is also weighing initial steps to ease restrictions with small stores expected to be allowed to be open by 20 April. However, given the pickup in Spain in the last few days, the initial proposals for that country's exit strategy is likely to be rescheduled from the initially planned 26 April.
- Economists consensus on the 'Street' infers the pandemic will rob the global economy of more than \$5 trillion in growth over the next two years, greater than the annual output of Japan, and while the impact will be short lived, it will take until 2022 for growth to return to its pre-virus level. As we know, economist forecasting powers leave a lot to be desired, but nonetheless the lockdowns enforced will clearly have a material impact on the global growth number in the near term.

- The policy measures just keep coming and talk is now that a second fiscal package from the US will be at least \$500bn aimed at providing aid to small businesses, hospitals and state and local governments.
- In the race for the White House, Bernie Sanders has officially suspended his presidential run and this effectively anoints Joe Biden as the party's *de facto* standard bearer. So it's Trump vs Biden in November if the election does indeed take place then.

As always, there are winners in situations like this and the share price of Anglo-French biotechnology group Novacyt SA,