

## Quilter Cheviot

# UK banks forced to make cash king



**Major UK banks including Lloyds, HSBC, Barclays, Santander, Standard Chartered and Royal Bank of Scotland have suspended their dividend payments in response to the coronavirus crisis.**

The UK Prudential Regulatory Authority (PRA) wrote to lenders on Tuesday (31 Mar) advising them to suspend dividends and share buybacks until the end of 2020.

Estimates suggest the banks were expected to pay out around £8bn in dividends for the 2019 financial year, with Barclays shareholders the first to be affected as it cancelled its 2019 full-year dividend due today (3 April).

The PRA said the decision was a “sensible precautionary step” given the role of banks in supporting the wider economy.

## Co-ordinated action

It follows a request by the European Central Bank (ECB) last Friday (27 Mar) for banks not to pay dividends until at least 1 October, with UniCredit and Société Générale among those halting dividend payments.

Helen Bradshaw, portfolio manager at Quilter Investors, says: “Given what has been going on in markets this is not surprising as companies look to preserve capital. We are likely to see more of this, particularly in areas that have received direct government support; even if some of these companies are able to continue payouts, it just may not be morally palatable.

“It is still too early to predict how many companies’ payouts could be in danger, but ultimately it will depend on the extent and duration of the lockdowns and the impact on the economy. Clearly the longer and deeper the contraction, the more freezes, cuts and suspensions we will see,” she explains.

# WHO: European outbreak could be approaching peak



**Italy has reported its smallest number of new coronavirus cases in almost a fortnight, prompting the World Health Organisation (WHO) to suggest there are signs the outbreak in Europe could be stabilising.**

On Monday (30 March) the head of health emergencies at the WHO, said it was a “fervent hope” that Italy and Spain are approaching a peak, helped by strict lockdown measures, with new cases reflecting a two-week lag in exposure to the disease.

Lombardy, the Italian region near Milan that has been hit hardest, registered the smallest rise in cases since 13 March. Although the government said it will extend the lockdown at least until Easter.

The WHO also continued to urge countries to step up efforts to find and isolate patients and to keep focused on their strategies with Spain tightening its restrictions this week.

# Tidal wave for 'BEACH' stocks



**The stocks worst hit by the covid-19 outbreak have been labelled the ‘BEACH’ stocks by market analysts. Companies in the booking, entertainment, airlines, cruises and**

**hotel sectors (BEACH) have suffered historic losses with some falling to a quarter of the levels seen when equities hit a high on 19 February.**

The bookings and entertainment sectors are in crisis as stadiums and arenas stand empty and the film industry warns of \$5bn in global losses. The global airline industry has seen some \$157bn wiped off valuations.

The three largest cruise lines – Carnival, Royal Caribbean and Norwegian Cruise Line – have already lost a combined \$42bn in value, halving the value of the sector. Meanwhile, the US hotel industry is losing around \$1.4bn a week.

It's estimated that by 24 March, BEACH stocks had lost some \$332bn in value since the market peak in February.

## China factory data bounces back from crisis low



**Chinese factory data bounced back strongly in March as millions returned to work.**

China's official Purchasing Managers' Index (PMI) rose to 52 in March, showing growth, after it hit a record low of 35.7 in February, according to the latest data. The number was significantly ahead of analysts' expectations with manufacturing production jumping to 54.1 in March from 27.8 a month previously and new orders climbing from 29.3 to 52.

Export orders also jumped but only to 46.4 which still indicates contraction. A separate government survey suggested that China's service sector activity also returned to growth.

However, consumer appetite remains depressed due to worries over a return of the virus that has already claimed 3,000 Chinese lives. To combat this the government is issuing millions of yuan-worth of shopping coupons to help revive consumption.

# Welcome to the new Quilter Market Explainer



**In response to the severe market volatility that has accompanied the outbreak of the global coronavirus pandemic, Quilter has launched the Quilter Market Explainer, a special weekly webcast for advisers and clients.**

The second broadcast in the series was on Friday (27 Mar) and was attended by well over 1,000 Quilter advisers and clients. To listen to a recording of last Friday's webinar [click here](#). Today's *Explainer* aired at midday and featured Sacha Chorley from Quilter Investors, David Braithwaite of Citrus Financial and Amisha Chohan from Quilter Cheviot explaining the continued volatility in financial markets, how this influences the advice that clients receive and whether we're witnessing the death knell of the UK's high streets. [Click here](#) to listen to the recording.

These webcasts now run at midday every Friday throughout the virus lockdown period. See your inbox for details of how to sign up or follow us on our social media channels.

# Keeping your head: the seven golden rules of investing



**In March, stock markets suffered their two biggest one-day drops since the ‘Black Monday’ crash in 1987. Two weeks later, the US Dow Jones index saw its biggest one-day gain since the Great Depression in 1933.**

This underlines what long-term investors already know; namely, that markets invariably recover from the kind of short-term disruptions caused by the covid-19 outbreak and reward those who can ride out the bumps along the way.

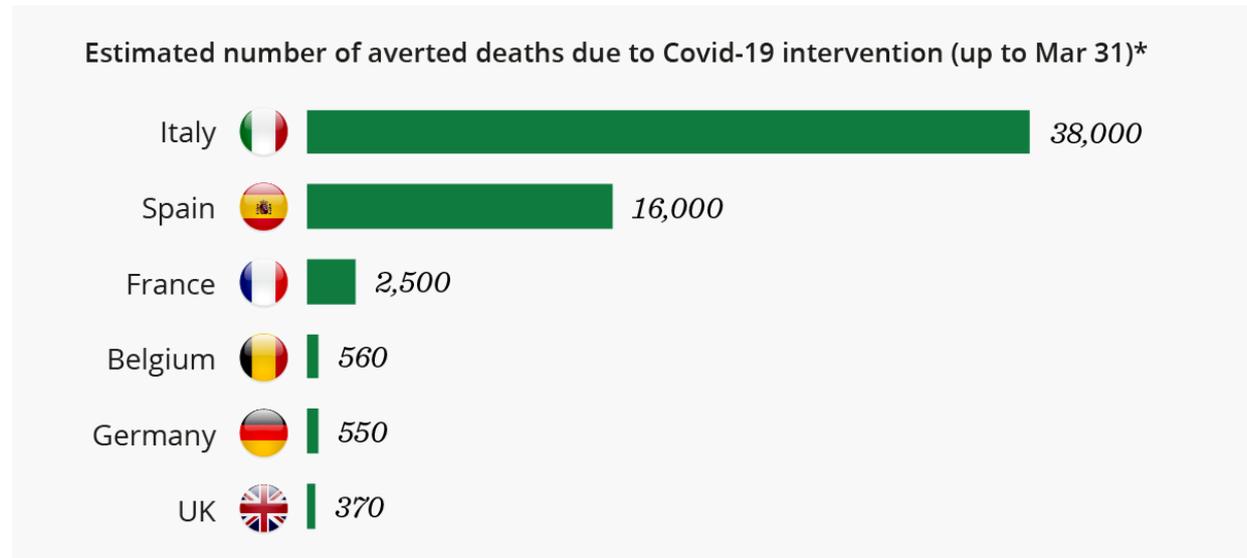
With this in mind, it’s worth remembering our top seven principles for keeping your head when all about you are losing theirs:

1. Get advice;
2. Make an investment plan and stick to it;
3. Invest as soon as possible;
4. Don’t just invest in cash;
5. Diversify your investments;
6. Invest for the long term;
7. Stay invested.

**Remember:** Investing with a long-term outlook and with long-term goals is the best way to reduce the impact of stock market fluctuations and to see out periods of volatility.

# Chart of the week

**Lockdown lifeline:** The global economy has been hit hard by the strict lockdown and social distancing measures in countries around the world, but research shows government interventions have saved the lives of 59,000 people across 11 different European countries.



Source: Imperial College London/Statista. \*Measures such as social distancing, schools closures, lockdowns and the banning of large gatherings.