State of play

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In the midst of an unprecedented global event, our Investment Specialist, Simon Durling, provides you with a brief summary of the latest developments of COVID-19, alongside our market and investment insights.

COVID-19: An update

Where to start?

It is hard to believe for most of us how much has changed in our day-to-day lives in such a short period of time. The pace of developments in response to the COVID-19 outbreak and subsequent spread is enough to make you shake your head in disbelief. So, let's try and summarise as briefly as possible what's happened in the last few days.

A quarter of the world's population is now under "lockdown" following India's decision at midnight on Wednesday. The strategy is designed to support each country's respective health services so they are able to treat the growing number of critical patients, many of whom require ventilators and critical care beds. This has meant drastic restrictions for individuals who have been asked to stay in their homes other than for very specific purposes, like getting food or medicine. The outbreak has rapidly spread in Europe, with Italy thus far the worst affected whilst the death toll in Spain has now overtaken China. The other European countries including the UK, appear to be just a couple of weeks behind the numbers of people infected and those who have died. Global cases now exceed 450,000 with deaths passing 20,000 and more than 110,000 recovered.

In the UK over 500,000 people have signed up in a single day to volunteer with the NHS after a recruitment drive to help the vulnerable amid the Coronavirus crisis. The helpers are needed for delivering food and medicines, driving patients to appointments and phoning the isolated. The scheme is one of a number aimed at relieving pressure on the NHS. The ExCel Centre in East London has been turned into a makeshift field hospital to treat up to 4,000 patients with the virus.

Government and central bank response

Governments and central banks around the globe have stepped in to provide unprecedented support. Amongst the interventions are cutting of interest rates, printing money to buy back government bonds and measures to support both businesses and individuals. In the UK, the Bank of England cut interest rates by a total of 65 basis points across two emergency meetings in March, taking the Bank of England base rate to a record low of 0.10%, whilst also announcing £200bn of bond purchases. The Bank of England also introduced a new programme for cheap credit and reduced a capital buffer to help banks lend. Also, in an unprecedented move the government announced £330bn in loan guarantees to businesses and offered to pay 80% of wage bills for staff put on leave up to a maximum of £2,500 a month each - if firms kept them on. Businesses are also allowed to temporarily hold on to £30bn of value-added tax (VAT).

In the US, the Federal Reserve cut interest rates by 150 basis points across two emergency meetings, taking the federal funds rate to 0-0.25%, along with $700bn in asset purchases, or quantitative easing. The Senate has passed a historic $2tn (£1.7tn) stimulus package, which is due to go in front of the House of Representatives on 27 March, including a $500bn fund to help hard-hit industries with loans and a comparable amount for direct payments of potentially up to $3,000 to millions of US families. The Eurozone and the rest of the world has introduced similar measures to help stave off the likely global recession which may follow.

Market reaction

The last few weeks have seen very high levels of volatility and significant falls in the value of shares across the world's stock markets. Whilst the last few days have seen something of a bounce back, markets are uncertain and nervous. They are unsure whether the unprecedented interventions and support from both governments and central banks will be enough to cushion the economic consequences of the virus outbreak and spread. In addition, there are certain sectors asking for government support or even rescue as the impact of the global economy virtually grinding to a halt starts to come into effect.

The airline and travel businesses in particular have been severely impacted. Investors have initially sought safe havens like government bonds, gold and the US dollar. However, some assets are being repriced as markets catch their breath to assess the economic impacts and how certain companies and sectors will perform over the coming weeks and months. The amount of information to process and assess is vast, alongside fast moving events in countries around the world tackling the virus spread and its impact on day-to-day life and on the healthcare services caring for the infected. The market environment is likely to remain very volatile for the foreseeable future as more is known about the economic impacts and whether the interventions are at least in part successful.

Managing client portfolios

If you listened to our podcast update last week, you will be aware that our fund management team took swift action both before the virus reached Europe but also as the panic set in markets around the globe. Thankfully, the changes made to our client portfolios have helped to mitigate some of the falls in investment values and our teams continue to look at ways to navigate market volatility and ensure they can maximise any opportunities in the repricing across asset classes. This is without doubt a difficult challenge, but they remain committed to trying to deliver the best outcome in what are best described as extraordinary times.

Learn more

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