

Market Update

16th April 2020

We find ourselves in the midst of a striking rally in the S&P 500 which has retraced 27% since the market lows on the 23rd of March, regaining over half the losses since its peak in February. The FTSE 100 has been more pedestrian in comparison being only up 13% from its lowest point. The US government has been busy pulling together packages to help prop up businesses. Congress has released \$2 trillion to help individuals and businesses directly affected by the virus and the Fed more recently has created a \$2.2 trillion bundle of loans and liquidity support to help markets and businesses through these difficult times.

We are now entering the first quarter earnings season, but most investors will be expecting widespread bad news which will largely be ignored by the market. One development that seems to be supporting the market at the moment are signs that the epidemic is being suppressed. We are perhaps passing the worst here in Europe while the US appears to be approaching the peak of this outbreak. However, on a less optimistic note, what is of greater concern is the prospect of several months of stringent controls over population movement and that life will not return to normal for some time. Populations globally still remain very vulnerable to another wave of an outbreak of the virus and this is something that the authorities will continue to monitor very closely.

In our view, the catalyst for markets to have a more sustained rally from current levels is positive news on the development of therapeutic solutions to help people recover if they have been infected by this virus or, more importantly, some sort of vaccine, but that is many months away. Therefore, while markets have risen both significantly and rapidly, it is unlikely that this is anything more than a bear market rally and we can expect markets to give back some of the ground they have gained and in the short term we remain comfortable with the cautious positioning within the portfolios.

Jason Broomer, Investment Director

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