

# Market BACKDROP

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architax

The start to the new decade has been challenging. Worries over the spread of Covid-19 and the economic fallout dominated markets.

The January to March period started on a positive note with markets encouraged by the signed US-China phase one trade deal and the UK leaving the European Union. However, this quickly changed as

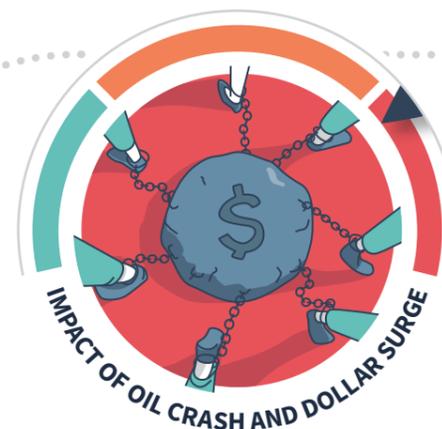
Covid-19 turned into a global pandemic. Most assets fell in response with riskier assets the worst hit, although lower-risk government bonds lived up to their safe haven status.



## ECONOMIC FACTORS

**Global activity in the services and manufacturing sectors contracted sharply.** The pandemic outbreak weighed on economic growth and ground many business operations to a halt. Unemployment claims jumped to record levels.

**Central banks and governments came to the rescue.** Extraordinary policy measures from governments and central banks helped to improve risk appetite. Co-ordinated response has helped to diminish the strain on the global economy.



## RISKS

**The oil price war over output cuts helped to fuel stock market falls.** Following the crash in the price of oil, after the initiation of a price war between Russia and Saudi Arabia, oil lost more than 65% of its value, reaching its lowest price in 17 years.

**Investors piled into dollars during the pandemic crisis.** The dollar is more integrated into the world economy than ever. This has piled on additional pressure on already stressed businesses and governments as they brace for soaring costs on their dollar debt.

## FINANCIAL MARKETS

**Global stock markets suffered their worst quarter since the 2008 global financial crisis.** The spread of the Covid-19 pandemic fractured supply chains and dampened investor confidence while bringing economic activity to record lows and crushing returns in global stocks.

**Government bonds and gold eventually retained their safe haven status.** However, they at one point joined in the sell-off of assets in the scramble for the safety of cash. The bonds that suffered the most were in the riskier areas of fixed income, such as high yield and emerging market bonds.



## CONCLUSION

It's been a quarter most investors would want to forget. Covid-19 dominated headlines and markets, characterised by sliding stock prices and investor confidence. While things look challenging, signs that the coronavirus outbreak may be stabilising in some

of the worst-affected countries have provided the markets with a degree of optimism. In the meantime, patience and a long-term view might be needed while waiting for the eventual revival of economic activity and asset prices.