

# Current Update

February 2020



## Market Commentary

Concerns over the spread of coronavirus and its potential impact on global growth finally began to dominate financial markets in the last weeks of February. Enhancer assets, especially equity markets fell sharply everywhere, and Anchors, led by government bonds, rose. Safe haven assets including the Diversifier Gold and Government Bonds were the only positives for the month.

US shares started the month apparently oblivious to the rising risk of the virus, and its impact to global demand and corporate earnings. As late as February 19th saw all-time highs in the index as Trump avoided impeachment and the domestic jobs data remained robust. When the impact of the virus became undeniable the result was one of the worst weeks ever for many indices. The last week of the month saw it drop over 11% turning negative year to date. The selloff was broad, it was led by energy and financials stocks but affected all sectors and especially those with international sales or supply chains.

Eurozone equities also experienced a sharp fall amid concerns that the impact of coronavirus could send the fragile eurozone economy into recession. Data showed that German GDP saw zero growth in Q4 2019. While the ECB initially remained unconcerned by the spreading virus this changed quickly when an outbreak reached Italy and prompted a €3.6 billion stimulus package to mitigate the impact of the outbreak.

In the UK markets fell sharply in line with the global crisis but domestically the economic indicators were overall quite positive. The latest monthly GDP data revealed the economy grew by 0.3% in December, suggesting a recovery in activity post the election, up from -0.3% month-on-month in November. The Office for National Statistics (ONS) also reported that UK retail sale volumes had increased by 0.9% in January, bouncing back from falls in the previous two months. This good news was offset by trade negotiation concerns and forgotten amongst the Coronavirus crisis

Emerging market (EM) equities also lost value but outperformed developed markets. Chinese shares saw a small gain for the month as coronavirus infection rates in the mainland appeared to stabilise and some activity indicators started to improve.

Government bonds performed well as investors sought out assets perceived to be lower risk. Government bond yields declined markedly (meaning prices rose), with US 10- and 30-year Treasury yields hitting record lows.

UK	28-Feb-20	31-Dec-19
FTSE 100	6,580	7,542
FTSE 100 % Change	(12.75%)	12.10%
BoE Interest Rate	0.75%	0.75%
CPI	1.80%	1.50%
Govt, 10YR Yield	0.44%	0.83%
FTSE 350	3,715	4,249

Currency	28-Feb-20	31-Dec-19
GBP/USD	1.28	1.32
GBP/EURO	1.16	1.18

Commodity (\$)	28-Feb-20	31-Dec-19
Gold	1,642	1,518
Silver	17.74	18.00
Brent Crude Oil	49.67	66.03

Govt 10YR Bond	28-Feb-20	31-Dec-19
US	1.16	1.92
Japan (JGB)	-0.15	-0.02
Germany (Bund)	-0.61	-0.18

Global Markets	28-Feb-20	31-Dec-19
Dow Jones	25,409	28,538
Dax	11,890	13,249
CAC	5,309	5,978
Nikkei 225	21,142	23,656
Shanghai	2,880	3,050
Sensex	38,297	41,253
Nifty 50	11,201	12,168

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## 10 Key Events to Watch:

UK		Previous	Forecast
Wednesday Mar 11, 2020	Manufacturing Production (MoM) (Jan)	0.3%	0.5%
Wednesday Mar 11, 2020	Autumn Budget (Tentative)	-	-
Tuesday, Mar 17, 2020	Average Earnings Index+Bonus (Jan)	2.9%	3.0%
Tuesday, Mar 17, 2020	Claimant Count Change (Feb)	5.5K	-
Tuesday, Mar 17, 2020	Unemployment Rate (Jan)	3.8%	3.8%
GLOBAL			
Thursday Mar 12, 2020	Euro Interest Rate Decision	-	-
Friday, Mar 13, 2020	German CPI (MoM) (Feb)	0.4%	-0.6%
Sunday, Mar 15, 2020	China Industrial Production (YoY)	6.9%	5.9%
Wednesday, Mar 18, 2020	USA Interest Rate Decision	-	-
Wednesday, Mar 18, 2020	Euro CPI (YoY) (Feb)	-	-

## Key Recent Announcements

### US ISM MANUFACTURING PMI (Jan):

Survey results shows down trend to 50.9 in Jan 2020 from 47.8 as compared to previous month, against market expectations of 48.5.

### UK MANUFACTURING PMI (Jan):

Manufacturing PMI stood at 51.9 as compared to 50.0 from the previous month.

### UK INFLATION RATE YoY (JAN):-

The rate of inflation across the UK stood at 1.8 percent in Jan 2020, compared to 1.3 percent the previous market expectations of 1.6 percent.

### US GDP (QOQ) (Q4):

The US GDP stood at 2.1 percent in Q4 as compared to 2.1 percent from the previous quarter.

For further information or enquires, professional advisors please contact the investment team directly on **020 3383 0180** or by emailing **info@riverscm.com**

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