

Current Update

March 2020



Market Commentary

The first quarter of 2020 has not been an easy one for most investors. While it was already clear that we were in the later stages of the economic cycle, nobody could have predicted at the start of this year that large parts of the global economy would be brought to an abrupt halt by the COVID-19 pandemic.

Unfortunately, the debate has now moved on from whether there will be a recession this year, to how deep and long it will be. As markets have moved to reflect this new reality, equities have fallen sharply, with the worst returns coming in March. All Enhancer assets lost substantial value during the quarter with the S&P500 fell 20% over the quarter and the FTSE all share declined by 25%.

An unprecedented shock requires an unprecedented policy response. And that is what we have seen. Most encouraging has been the policy response from the UK, the US and Germany where governments have committed to pay a significant proportion of workers' wages during the shutdown to enable companies not to lay off staff despite the dramatic hit to sales. Government-backed loans should also help many companies to avoid otherwise inevitable cash-flow induced bankruptcies. However, loans may not be enough for the hardest hit companies, some of which are likely to require grants or bailouts to survive a substantial loss of sales, at least part of which is likely to prove permanent.

Central bankers have thrown the kitchen sink at the problem, cutting rates to their lower bound and restarting and expanding asset purchase programmes. The US Fed's commitment to purchase as many government bonds as necessary is a substantial step, which should enable it to keep government borrowing costs low, despite the massive fiscal stimulus that is required to deal with the economic consequences of the virus. The Fed's corporate credit programme should also prove a significant support for investment grade corporate bonds.

Anchor assets were the only slight positive during the quarter with government bonds rising in price, as central banks cut interest rates and restarted quantitative easing. For diversifiers only Gold proved positive over the whole quarter but even that had periods of loss within the quarter. Other commodity prices, fell sharply over the quarter. As countries around the world halted activity to try to bring the spread of the virus under control, demand for most commodities declined, hitting prices. Oil was caught in a perfect storm with an agreement between OPEC and Russia to constrain supply breaking down just as the outlook for demand fell. This led the oil price to fall by more than 60%.

UK	31-Mar-20	31-Dec-19
FTSE 100	5,671	7,542
FTSE 100 % Change	(24.80%)	12.10%
BoE Interest Rate	0.10%	0.75%
CPI	1.70%	1.50%
Govt, 10YR Yield	0.68%	0.83%
FTSE 350	3,150	4,249

Currency	31-Mar-20	31-Dec-19
GBP/USD	1.24	1.32
GBP/EURO	1.12	1.18

Commodity (\$)	31-Mar-20	31-Dec-19
Gold	1,596	1,518
Silver	14.13	18.00
Brent Crude Oil	22.74	66.03

Govt 10YR Bond	31-Mar-20	31-Dec-19
US	0.36	1.92
Japan (JGB)	0.02	-0.02
Germany (Bund)	-0.47	-0.18

Global Markets	31-Mar-20	31-Dec-19
Dow Jones	21,917	28,538
Dax	9,935	13,249
CAC	4,396	5,978
Nikkei 225	18,917	23,656
Shanghai	2,750	3,050
Sensex	29,468	41,253
Nifty 50	8,597	12,168

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10 Key Events to Watch:

UK		Previous	Forecast
Thursday, Apr 09, 2020	GDP (YoY) (Feb)	0.6%	0.4%
Thursday, Apr 09, 2020	Manufacturing Production (MoM) (Feb)	0.2%	0.2%
Tuesday, Apr 21, 2020	Unemployment Rate (Feb)	3.9%	4.0%
Wednesday, Apr 22, 2020	CPI (YoY) (Mar)	1.7%	1.2%
Thursday, Apr 23, 2020	Retail Sales (YoY) (Mar)	0.00%	-1.9%
GLOBAL			
Friday, Apr 10, 2020	USA CPI (YoY) (Mar)	2.3%	2.2%
Thursday, Apr 16, 2020	China GDP (YoY) (Q1)	6.0%	6.0%
Friday, Apr 17, 2020	Euro CPI (YoY) (Mar)	1.2%	1.2%
Tuesday, Apr 28, 2020	Japan Interest Rate Decision	-	-0.10%
Wednesday, Apr 29, 2020	US Fed Interest Rate Decision	-	-

Key Recent Announcements

US ISM MANUFACTURING PMI (Feb):

Survey results shows down trend to 50.1 in Feb 2020 from 50.9 as compared to previous month, against market expectations of 51.8.

UK MANUFACTURING PMI (Feb):

Manufacturing PMI stood at 51.7 as compared to 50.0 from the previous month.

UK INFLATION RATE YoY (FEB):-

The rate of inflation across the UK stood at 1.7 percent in Feb 2020, compared to 1.8 percent the previous market expectations of 1.7 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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