

March 2020 quarter end review update

The table below sets out the opening and closing values of the FTSE All Share Index for the first quarter of 2020, as well as the high and low points over the period.

Quarter	Open	Close	High	Low	Return year to date
January - March	4196	3107	4257	2727	-25.95%

Whilst it's been a tumultuous period, to the 20th March the index was down some 33%.

The world as we knew it is much changed since our 2019 year-end commentary.

Coronavirus, or Covid-19 as it is otherwise known, is something that none of us is likely to forget for generations to come. As we write this quarter end update, the UK is in "lockdown" except for those providing "essential services", with most people not allowed to leave their homes other than to perform essential tasks such as buying essential food supplies, for medical treatment or buying medicines and having one outing per day exclusively for the purpose of exercise.

Many countries have now closed their borders, with a growing number in complete "lockdown" for the time being. Here in the UK, we are expecting the current measures to be reviewed in mid-April, and only time will tell whether the measures will need to be increased, extended or, hopefully, relaxed to a degree.

At the start of 2020 nobody could have predicted the impact that the virus would have, and continues to have, on the world.

Given the significant levels of global uncertainty, as one would expect, the falls across stock markets around the world have been unprecedented and indiscriminate. The impact has been widespread immediately affecting more than just the sectors that one would expect to be affected initially, such as the travel and leisure industries. This has been prompted, in part, by supply chain concerns, meaning the disruption to both the manufacturing and the supply of goods. As the days go by, the extent of the impact of the virus is unfolding and is being felt more, prompting concerns about the longer term effects and the possibility of a global recession.

What makes the economic impact of the Coronavirus so far reaching is that it is affecting both the supply and demand sides of the global economy. It has also brought about change in the way we do things. By way of example, many more people are now using technology to enable them to work remotely, given the restrictions on travel. Many meetings are still being held, albeit remotely, which may prompt a review of how things are done in a post Coronavirus world.

All central banks around the world are reacting swiftly to the global pandemic, with many co-ordinating interest rate cuts. The Bank of England cut interest rates twice in as many weeks, bringing the base rate to its lowest level in history (0.1%). Various forms of fiscal stimulus packages have also been announced, given that these are expected to be more effective over the short term than monetary measures are likely to be.

If this was not enough to deal with, there has also been a collapse in the oil price following increased oil production by the Saudi's fuelled by their price war with Russia. The price of Brent Crude oil has fallen by some 61% since the start of the year.

Inflation, which has been benign for some time, is something that the central banks will need to monitor very closely once the virus has been contained, given the magnitude of the fiscal and monetary stimulus measures introduced in recent weeks.

While it is not possible to forecast the duration of the current market turmoil, we would expect volatility to start receding once the markets and investors alike have more clarity on factors such as a vaccine or an effective treatment being developed for the Caronavirus, together with a clearer indication of what the long term effects on the global economy are likely to be.

Although we are unlikely to recommend any material changes to portfolios in the current volatile market environment, our asset allocation views are as follows:

Underweight	Neutral	Overweight
Index-linked Gilts: UK, US	Index-linked Gilts: Global	High Yield Bonds (for income)
Investment-Grade Bonds	Equities: China, Far East, Emerging Markets, Japan	Equities (large cap): Europe, Asia ex China
Equities (large cap): US	Equities (small cap): UK, US, Europe Equities (large cap): UK	Specialist Equities: e.g. Infrastructure, Agriculture
Property	Commodities	
Gold		

We recently sent out a communication regarding commercial property funds, which understandably have closed in the current environment.

We wish you and your family well in these unprecedented times. We remain available to discuss your portfolio should you wish to do so.



1st April 2020