

# Monthly Market Summary



March 2020

## Summary: COVID-19 induced market dislocation

Global stock markets whipsawed in March and suffered their worst monthly return since 2008, -13.5% (in USD), while global government bonds also fell, -0.88% (in USD). Key events included:

- Global lockdowns introduced to curb exponential spread of Covid-19 virus;
- Central banks intervene with extensive emergency stimulus;
- Governments respond with unprecedented fiscal measures.

In response to the exponential increase in new Covid-19 cases, the WHO declared the outbreak a pandemic, further intensifying market volatility, which more than doubled intra-month. As sentiment deteriorated and risk assets fell, Gold edged higher, and yields on government bonds briefly fell to record lows. With liquidity evaporating and stress evident in funding markets, credit spreads widened sharply, particularly speculative grade ('high yield') bonds. The dollar surged higher, before easing as the Fed unveiled new policy measures. Meanwhile, oil tumbled to an 18-year low, in the face of constrained demand and elevated OPEC+ output.

## US: QE Infinity, Historic stimulus package, Unemployment surges

Following an emergency interest rate cut of 50bps in early March, the Fed proceeded with a second cut mid-month taking rates down a further 100bps to 0-0.25% and a committed to unlimited quantitative easing. Alongside this, Congress passed a \$2trn fiscal stimulus package (c. 10% of US GDP) aimed at providing support to households and companies, offering some respite to equity markets. A widely anticipated surge in jobless claims to 3.3 million - five times the number of claims during the GFC – signals significant economic weakness ahead. Adding to unease, the forward-looking new orders component of the manufacturing ISM survey fell to its weakest level since 2009 (42.2).

## Europe: Lockdown extended, New monetary and fiscal measures

As the epicentre of the Covid-19 outbreak shifted to Europe, both Italy and Spain surpassed China in the number of confirmed coronavirus cases and lockdown measures were extended. Initial economic data suggest eurozone activity slumped dramatically, with manufacturing PMI data contracting sharply to 44.5. The ECB unveiled a combined €870bn asset purchase programme and expanded measures to ease the burden of negative rates on banks. Meanwhile the Bank of England cut interest rates to a record low of 0.1%, whilst ramping up its asset-purchasing programme. Widespread fiscal measures were also introduced across many European countries, with policies ranging from loan guarantees, rebates, tax cuts, to outright wage subsidies.

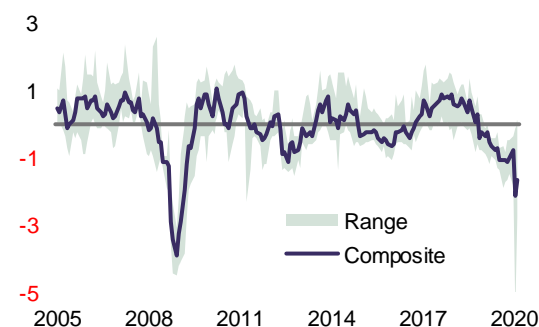
## Asia: China stabilises, Singapore contracts, Japan's stimulus

China began easing lockdown measures and now appears to be entering the 'recovery' phase of the outbreak after reporting no new domestically transmitted cases of the virus. Encouragingly, Chinese manufacturing activity rebounded sharply, with the PMI expanding to 52 (from its all-time low of 35.7 previously). Conversely, Singapore - often a barometer for the health of global trade - contracted in the first quarter, -10.6% (SAAR). Meanwhile, Japan's survey data plunged in March, with services (32.7) and manufacturing (44.8) contracting at its quickest in a decade. As infection rates accelerate, the government has introduced tighter border controls and is presently coordinating a large fiscal package that would rival the stimulus during the GFC.

## Market summary (total return in local currency)

Fixed Income	Yield	1M %	1 Yr %
US 10 Yr	0.67%	3.5%	16.2%
UK 10 Yr	0.36%	0.8%	6.2%
Swiss 10 Yr	-0.33%	-3.6%	-0.7%
German 10 Yr	-0.47%	-1.1%	2.6%
Global IG (hdg \$)	3.03%	-6.8%	3.2%
Global HY (hdg \$)	10.54%	-13.4%	-9.2%
Equity Index	Level	1M %	1 Yr %
S&P 500	2,585	-12.4%	-7.0%
MSCI UK	9,454	-13.4%	-19.1%
SMI	9,312	-3.9%	1.8%
Eurostoxx 50	2,787	-16.2%	-13.9%
Nikkei	18,917	-9.8%	-8.9%
Hang Seng	23,603	-9.5%	-15.8%
MSCI World (lcl)	215	-12.8%	-10.0%
MSCI World (\$)	2,585	-12.4%	-7.0%
Currencies (trade-weighted, nominal)			
US Dollar		4.2%	5.8%
Euro		2.4%	-0.4%
Yen		2.0%	4.7%
Pound Sterling		-1.6%	-1.7%
Swiss Franc		1.7%	4.7%
Chinese Yuan		1.5%	3.3%
Other	Level		
VIX	53.5	33.5%	290%
Brent (\$/b)	22.7	-55.0%	-66.7%
Gold (\$/oz)	1,598	0.8%	23.6%

## Composite cyclical indicator<sup>1</sup> (z score)



Source: Bloomberg, Rothschild & Co  
 1. Derived from forward-looking components from various manufacturing surveys and weighted by GDP.



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