

Coronavirus Update

21 May 2020

As of today, the FTSE 100 stands at around 6,000, 20% down from its pre-Covid-19 highs, while in the US, the S&P 500 is currently resting at around 3,000, down 15% or so. In our view, it seems remarkable that markets are operating back at such levels. Indeed, if markets did bottom out towards the end of March, this will have been one of the shortest and shallowest bear markets of all time. However, there are several reasons why we remain cautious on equity markets.

Within the US, the world's largest economy, 15% of the workforce is now unemployed, with more than 20 million jobs being lost in April alone. This sees the US economy operating at its worst unemployment rate since records officially began in 1948 and skyrocketing from the previous lows of 3.5% leading into the pandemic. Furthermore, the US market's recovery is being led by a very narrow number of names, which is a dangerous signal. The top five stocks in the S&P 500 now make up 20% of the index with Amazon now the equivalent of half the market cap of the UK. We do not think this is very representative of the wider US economy.

Whilst the Chinese economy appears to be more operational, returns have been even more astounding with it being just a couple of per cent off where it started the year. The wider emerging markets region, however, must surely be in a more challenged position. Destabilisation of trade networks and the unwinding of globalisation is likely to see the global economy operating on a smaller scale in the future. In fact, the World Trade Organisation estimates a 33% reduction in the global economy.

Trade wars are also likely to become a problem again in the future, in our opinion. The trade wars between China and the US in 2019 created challenges and it has been mooted that this situation might rise again in 2020 and beyond.

So, whilst volatility remains high and sentiment is in a sensitive state, equity markets will continue to react on the back of good or bad news. For all these reasons, we continue to see managers retain a cautious stance towards equities with developments being closely monitored, whilst opportunities within the bond markets remain an option, as previously highlighted.

Important Information

This document is issued by Premier Wealth Planning, which is a trading style of Premier Benefit Solutions Ltd. Premier Benefit Solutions Ltd makes no warranties or representations regarding the accuracy or completeness of the information contained herein. We have prepared the following document based on our view of the current market. Nothing in this document shall be deemed to constitute financial or investment advice in any way. We recommend you speak to your adviser before making any decisions. This document shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Past performance is not a guide to future returns and the value of capital invested and any income generated from it may fluctuate in value. Premier Benefit Solutions is a limited company registered in England and Wales (registered number 6036012). Registered office AMP House, Dingwall Road, Croydon CR0 2LX. Premier Benefit Solutions Ltd is authorised and regulated by the Financial Conduct Authority.