

MARKET COMMENTARY

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STUART CLARK

WealthSelect Portfolio Manager

Stock markets around the world have continued to fall as investors fear how the spread of the coronavirus will impact economic growth. On Thursday 12 March, the main UK index dropped by more than 10% in its worst day since 1987, and in the US the two main indices were also hit by their steepest daily falls since 1987.

The continued declines come despite the Bank of England cutting interest rates from 0.75% to 0.25% on Wednesday 11 March, and action from the Federal Reserve and European Central Bank designed to ease financial strains.

The market uncertainty has pushed investors towards so-called 'safe-havens' of government bonds, gold, and the Japanese yen, causing equity markets in particular to fall.

Stuart Clark, WealthSelect portfolio manager, comments:

"The continued uncertainty this week has further spooked investors already worried about the impact of the coronavirus on the global economy."

"We undertook a portfolio rebalance on Monday 9 March, and had a choice to make on whether to revert to previous model weights, to input an entirely new model, or to use the current positioning. A move back to our previous weighting would have involved selling down holdings across fixed income and alternatives in order to buy equities,



specifically in the UK, but the current market dynamics are not in favour of this. Therefore, we have updated the model for the portfolios to the current positioning, meaning that our equity exposure has been reduced a little in favour of alternative investments, traditional fixed income such as government bonds, and cash. Our UK equity positioning remains slightly below our peers, while our exposure to gold and cash has also increased. We remain slightly overweight in US and emerging market equities relative to our peers."

"With any sharp market falls there is always the potential for a rebound and the chance to pick up some good opportunities to add

risk to a portfolio. At the moment there is an almost perfect storm of events that are pushing markets lower and weighing on sentiment, but China and South Korea have both continued to report a decline in the number of new cases since the coronavirus outbreak escalated, and should these numbers prove true it suggests the draconian containment measures in China, in particular, are working. This could lead to a painful period for the rest of the world, as similar measures may need to be taken with the inevitable repercussions on supply-chain disruption, but that would be an economic price worth paying to avoid a worse social impact of a mass global pandemic."

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