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March 2020 Market Wrap

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From Bill Gates on this unprecedented time we are facing:

“It is reminding us that after every difficulty, there is always ease. Life is cyclical, and this is just a phase in this great cycle. We do not need to panic; this too shall pass.”

Broader global equities declined sharply in March, as fears of the spread of the coronavirus and its effect on the Global supply chain and potential economic impact weighed on markets. While there have been relatively few confirmed cases of Covid-19 so far in Australia, markets in Australia were swept up in a global sell-off as business and countries worldwide went into lockdown in March.

The Australian S&P/ASX 200 completed its worst monthly and quarterly declines this century sliding 21%. US Equities posted their worst quarter since 2008. Global markets were rocked by extreme levels of volatility as equities whipsawed into bear territory.

As governments and central banks, including Australia, rushed to offer support to the economy, the final week brought signs of a turnaround. The S&P/ASX 200 recorded its largest ever single day gain of 7% on the penultimate day of trading and, at the close, is 12% up from its 2020 lows.

With Saudi Arabia flooding the market with cheap oil and demand falling precipitously, Energy led the way down for S&P/ASX 200 sectors this quarter. The segment declined an extraordinary 48% in Q1. Companies with low leverage and high return on equity offered relative safe harbour with the S&P/ASX 200 Quality index outperforming its benchmark by 12% in March.

I believe we have made the bottom and that on a 6 to 12-month time horizon, this will prove to be a buying opportunity even if we are in a recession. The speed and intensity in the drop off of activity is worse than expected. Valuations have improved, unprecedented central bank action easing funding stress, signs that volatility and negative market technical pressure may have peaked. The severe recession economists forecast will shift modelling out of 'downturn' and into early-cycle 'repair'.

The selloff also has pushed the market into a new cycle, form a strong resistance which will prove to be the floor of the market. This enables the transformation into the next cycle (removes old baggage).



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This is markedly different to 2008 and the Global Financial Crisis (GFC). The banks are not broken and funding will continue to flow to business. Government and Reserve banks are using the 2008 play book to control the in between. The Australian Government's response has to be praised, control, targeted and ready to do what it takes to get us through.

Downturns and never fun, with a lot of pain and fear, but they also create renewal like a tree losing it leaves, creating opportunities. Now is time to play offence not defensive. This is a temporary shock and it will pass, those looking for the business re-tooling will see great benefits.

On a personal note, be safe, enjoy the simple things, and protect yourself and your neighbours.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-15.43%	-16.28%	-23.20%
Nasdaq	-11.33%	-1.89%	-14.18%
S&P 500	-13.94%	-9.86%	-20.00%
Russel 2000	-22.41%	-25.77%	-30.89%
Europe 600 Index	-16.02%	-16.87%	-23.03%
UK FTSE 100 Index	-15.57%	-23.26%	-24.80%
Hong Kong Hang Seng	-10.20%	-20.32%	-16.27%
Japan Nikkei 225	-10.27%	-12.04%	-20.04%
China Shanghai Composite	-8.11%	-13.43%	-9.83%
ASX 200 (Australia)	-20.65%	-14.42%	-24.05%



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Australian Dollar

	Close	52 week Range
AUD	0.6483%	0.6463-0.7206%

Government Bonds

	Close	52 week Range
US 3 Month	1.295%	1.264-2.487%
US 10 Years	1.156%	1.099 – 2.770%
US 30 Years	1.679%	1.637 - 3.136%
Australia 10 years	0.708%	0.698-2.218%

Source: Wall Street Journal.

<http://bit.ly/Feb2020marketwarp>