



MARCH 2020 REVIEW

14TH MAR 2020

Before we attempt to summarise our thoughts for March, we would like to send our hopes that you and your families are safe in this difficult time. As the COVID-19 death toll rises around the world, it puts our work at Flying Colours in perspective. The market turmoil that we experienced over the month was unprecedented. The speed and magnitude of drawdowns tested all portfolios and almost without exception investors experienced heavy losses from risk assets.

Equities fell 20% in the US and 25% in the UK. Corporate bonds also fared poorly, with riskier bonds with lower credit ratings suffering badly, with losses of around 15%. The bright spot in terms of performance came from government bonds as central banks cut interest rates and restarted quantitative easing.

The dispute over oil production between Russia and Saudi Arabia came at the worst possible time and sent oil prices down to multi-year lows. Energy stocks are down more than 50% this year, and significant losses have been generated by other sectors such as airline, hotel and leisure stocks.

A few select data points demonstrate the magnitude of the shock. For example, car sales in China fell about 80% in February. In one week in March, over three million people in the US signed up for jobless benefits.

With huge swathes of the global economy in lockdown a recession is looming and the key question is how long and deep the slowdown will be.

As we have mentioned before in our bulletins to clients, we don't claim to be experts in pandemics but there are signs that the lockdowns are having a positive impact on arresting the spread of the virus, in Asia at least.

Both China and South Korea are reporting fewer new cases and we have no evidence yet that this pattern won't be repeated, first in Europe and then in the United States. If this trend holds, we believe that this provides an opportunity to invest in a broad range of good value investments for our clients.



MARKET COMMENTARY



FLYING COLOURS LIFE
Investment Management

The key positive for us is the response from central banks and governments around the world to support businesses and the consumer. Interest rates have been cut to record lows in the UK and US and quantitative easing has been restarted, giving us confidence the borrowing costs will remain low for the foreseeable future. Central banks have also stepped in to ensure that money markets

IMPORTANT INFORMATION

As with any investment, your capital is at risk. The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest. Past performance is not a reliable indicator of future results. Personal opinions may change and should not be seen as advice or a recommendation. We recommend investors seek professional advice before deciding to invest.

This document has been issued by Flying Colours Finance Limited, which is authorised and regulated by the Financial Conduct Authority, No. 672022. Registered office: 2 Queen's Square, Lyndhurst Road, Ascot, SL5 9FE. Registered in England and Wales No. 09075635. We record all telephone calls.