



2020 Q1 REVIEW: THE COVID-19 CRASH

Global equity indices plummeted from all-time highs in January as developed economies went into lockdown in an effort to contain the spread of the COVID-19 virus outside of China. Stocks posted their weakest quarter since 2008 (chart 1) with Wall Street seeing its largest six week fall since the 1929 crash. Government bonds were, unsurprisingly, strongest over the quarter as central banks responded with aggressive monetary ease (table 1). Oil prices spiked initially, as tensions rose in the Middle East, but plunged 65% over the quarter as Russia and Saudi Arabia flooded the market with supply (chart 2).

We began the year with a positive view on equities on the back of loose policy and broadening signs of recovery in the world economy but took positions rapidly down to neutral during March, while holding on to a range of diversifying positions in our regional, sector and currency strategies. We expect markets to rally strongly on news of a sustained re-opening of the world economy but this could be weeks or months away and downside risks in the meantime centres on extremely negative economic and earnings reports. Please see our [Investment Clock blog](#) for the latest information on our active strategies.

Chart 1: Global Stocks Suffer Worst Quarter Since 2008

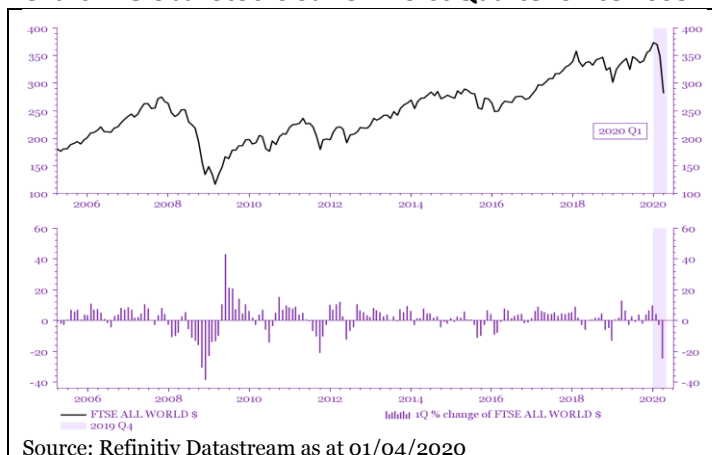


Chart 2: Oil Price Plunged Over the Quarter

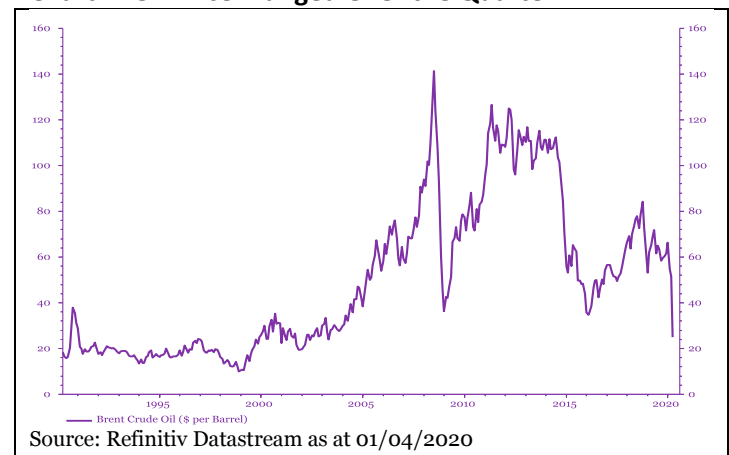


Table 1: Sterling-based annual returns from major asset classes 2007-2020 YTD

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
1	EM Stocks +37.4%	Gilts +12.8%	EM Stocks +62.5%	EM Stocks +23.6%	Gilts +15.6%	EM Stocks +12.8%	Global Stocks +21.2%	Property +19.5%	Property +13.9%	EM Stocks +35.4%	EM Stocks +21.1%	Property +7.5%	Global Stocks +22.6%	Gilts +6.3%
2	Commodities +14.3%	Cash +5.7%	UK Stocks +30.1%	Commodities +20.5%	Property +8.1%	UK Stocks +12.3%	UK Stocks +20.8%	Gilts +13.9%	Global Stocks +4.4%	Commodities +33.3%	Global Stocks +14.0%	Cash +0.6%	UK Stocks +19.2%	Property +0.5%
3	Global Stocks +11.2%	Multi Asset -10.4%	Global Stocks +20.6%	Global Stocks +17.2%	Multi Asset +1.6%	Global Stocks +12.1%	Property +11.0%	Global Stocks +12.2%	Multi Asset +1.8%	Global Stocks +30.3%	UK Stocks +13.1%	Gilts +0.6%	EM Stocks +15.9%	Cash +0.2%
4	Cash +6.0%	Commodities -10.9%	Multi Asset +12.6%	Property +14.7%	Cash +0.6%	Multi Asset +7.1%	Multi Asset +7.3%	EM Stocks +7.9%	UK Stocks +1.0%	UK Stocks +16.8%	Property +11.2%	Multi Asset -1.2%	Multi Asset +8.9%	Multi Asset -8.2%
5	Multi Asset +5.5%	Global Stocks -18.5%	Commodities +5.9%	UK Stocks +14.5%	UK Stocks -3.5%	Gilts +2.7%	Cash +0.5%	Multi Asset +6.5%	Gilts +0.6%	Multi Asset +12.1%	Multi Asset +6.3%	Global Stocks -3.1%	Gilts +6.9%	Global Stocks -15.5%
6	UK Stocks +5.3%	Property -22.6%	Property +1.9%	Multi Asset +11.7%	Global Stocks -6.9%	Property +2.3%	Gilts -3.9%	UK Stocks +1.2%	Cash +0.5%	Gilts +10.1%	Gilts +1.8%	Commodities -5.7%	Commodities +3.5%	Commodities -18.0%
7	Gilts +5.3%	UK Stocks -29.9%	Cash +1.0%	Gilts +7.2%	Commodities -12.7%	Cash +0.6%	EM Stocks -5.3%	Cash +0.5%	EM Stocks -10.3%	Property +2.6%	Cash +0.3%	EM Stocks -7.6%	Property +2.1%	EM Stocks -19.0%
8	Property -5.4%	EM Stocks -34.8%	Gilts -1.2%	Cash +0.6%	EM Stocks -18.4%	Commodities -5.4%	Commodities -11.2%	Commodities -11.8%	Commodities -20.3%	Cash +0.4%	Commodities -7.1%	UK Stocks -9.5%	Cash +0.7%	UK Stocks -25.1%

Source: RLAM, DataStream as of April 2020; Property Return as of January 2020. Multi Asset returns are based on the benchmark returns of Royal London Global Multi Asset Portfolio (GMAP) Balanced Fund.



MARKETS: RISK ASSETS PLUMMET

- Equity markets experienced their worst quarter since 2008 as the spread of COVID-19 left economies in lockdown; UK equities and the energy sector were hardest hit.
- Global sovereign yields plummeted as monetary policy responded.
- Oil fell to a near two decade low on falling demand expectations and excess supply brought to the market by Russia and Saudi Arabia
- Despite a strong end to 2019, the pound suffered its worst quarter since the EU referendum in Q2 2016.

	1 GBP buys	Q1 (vs GBP)	2019
FX			
USD	1.24	7.0	-3.9
EUR	1.13	4.5	-5.8
CHF	1.20	7.0	-2.3
JPY	133.6	7.8	-2.9
AUD	2.03	-7.1	-4.2
CAD	1.76	-2.1	0.9

CB rates	Rate (%)	chg in Q1 (%)	2019 (%)
Fed	0.25	-1.50	-0.75
BoE	0.10	-0.65	0.00
ECB	-0.50	0.00	-0.10
BoJ	-0.07	0.00	-0.01

Bond Yield	Yield (%)	chg in Q1 (bps)	2019 chg (bps)
US 10 Year	0.67	-125	-77
UK 10 Year	0.36	-47	-46
EU 10 Year	-0.47	-29	-43
JP 10 Year	0.02	3	-1

Note: Standard indices sourced from DataStream and Bloomberg; Property data as of January 2020.

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As of 31-Mar-20

Multi Asset	Local Currency		GBP	
	Q1	2019	Q1	2019
UK Stocks	-25.1	19.2	-25.1	19.2
Global ex UK Stocks	-19.7	27.4	-15.5	22.6
Gilts	6.3	6.9	6.3	6.9
UK Cash	0.2	0.7	0.2	0.7
UK Property	0.5	2.0	0.5	2.0
Commodities	-23.3	7.7	-18.0	3.5

Equity Regions	Local Currency		GBP	
	Q1	2019	Q1	2019
UK	-25.1	19.2	-25.1	19.2
North America	-19.6	31.2	-14.5	26.5
Europe ex UK	-21.0	27.0	-17.5	20.5
Japan	-17.2	18.3	-11.0	14.8
Pacific ex Japan	-20.3	19.1	-20.0	14.9
Emerging Markets	-20.2	19.8	-19.0	15.9

Global Equity Sectors	Local Currency		GBP	
	Q1	2019	Q1	2019
Consumer Discretionary	-20.2	28.2	-15.9	23.3
Industrials	-25.0	27.0	-21.1	22.2
Financials	-29.4	23.5	-26.9	19.3
Consumer Staples	-11.9	21.9	-7.9	17.7
Utilities	-13.3	22.1	-9.0	17.4
Healthcare	-10.4	23.0	-5.2	18.6
Energy	-41.0	12.4	-39.9	9.4
Materials	-23.8	20.0	-22.1	16.1
Communication Services	-14.5	15.5	-10.6	11.5
Information Technology	-13.2	47.5	-7.7	41.8

Bonds	Local Currency		GBP	
	Q1	2019	Q1	2019
Conventional Gilts	6.3	6.9	6.3	6.9
Index Linked Gilts	1.6	6.4	1.6	6.4
GBP Credit	-3.4	9.3	-3.4	9.3
Global High Yield	-12.9	13.8	-13.4	12.2

Commodities	Local Currency		GBP	
	Q1	2019	Q1	2019
Energy	-51.1	11.8	-47.8	7.5
Agriculture	-9.9	1.7	-3.7	-2.2
Industrial Metals	-18.5	7.0	-12.9	2.8
Precious Metals	-1.1	17.0	5.7	12.5