



COVID-19/Corona virus & the global financial markets

The coronavirus causing respiratory illness continues to dominate the headlines and news of new clusters of infections outside China causes additional jitters in global financial markets.

Investment view assessment: 2019 was an unusually strong year for returns with risk assets such as equities and defensive assets such as government bonds both delivering returns of well above their long-run averages.

We began 2020 thinking an equity market correction was likely in the short term, but couldn't think of a catalyst. Central banks had been keeping interest rates low and the global economy seemed to be at a gentle turning point. Tension in geopolitical issues such as US Iran relations, Brexit and the US China trade war had all eased.

On 31 December 2019, China reported cases of a new COVID-19 virus (Coronavirus) that began in Wuhan, Hubei province. The equity market shrugged off these early reports and continued to rally during January. The first 3 weeks of February, as the virus spread, made an already over-valued market even more over valued.

The world's past epidemics have tended to be short lived, particularly those seen during this millennium (SARS, Swine Flu, MERS and Ebola) due to advances in treatment and vaccine development. These lessons learnt and the improving data probably goes some way to explain why equities rallied through January and into February as the virus spread.

In the last week or so global markets have been more unsettled. We first noticed warning signs during the second week of Reporting Season in Australia when the number of management teams mentioning the risks from the virus outbreak rose.

Travel and tourism industries have been impacted, and with China being a manufacturing hub, the closure of cities and factories has hit global supply chains hard, restricting business activity.

Reaction by policymakers: Confidence is a vital component of economic behaviour that underpins financial markets and investor returns. It can be won over time, but it can also evaporate rapidly.

Confidence has not yet collapsed as it did in the 2008 global financial crisis. Central banks will move hard and move early if confidence does continue to deteriorate. Even language indicating they are ready to respond would provide resilience to markets.

We expect the People's Bank of China (PBOC) to roll the dice first, with other central banks responding with different degrees of support. The US Fed cut interest rates as it has to keep the economy on a strong footing, and address downside risks.

News of a slowdown in the spread of the virus or the development of a vaccine would provide a timely shot in the arm for equity markets even though both of these developments don't seem likely in the near-term. At this stage, we don't believe that there is a real prospect of an imminent recession.

Effective diversification is important, particularly in this environment. While investments in one part of a portfolio may suffer losses, other investments may remain stable or even increase in value. History has shown time and again that changing a long-term investment strategy during times of short-term volatility may not be a smart move. Staying the course means investors are more able to avoid crystallising losses during a falling market and can capitalise on gains once the market rallies again.

If you have concerns please speak to us, we are well placed to understand your situation and assess whether any changes to your long-term strategy are needed to keep your goals on track.



What's happening around the WSP office:



Good luck Redbacks!

It's Cricket Grand Final time again! The Kyabram Redbacks E Grade side have made the grade and will be contesting Invergordon in Shepparton this Saturday. Vibert Oval will see Peter Ryan who has captained the side again this year play along side both sons Makenzie and Noah. Good luck for the Premiership team!



MACQUARIE Clients please note

New transactions notifications for your Macquarie Cash Management Accounts (CMA). From late January Macquarie have phased in notifications that are triggered when your adviser or authorised third party makes a transaction on your account. This includes cash bulk transacting requests and Adviser Initiated Payments (AIP). You don't need to take any action – it's just a short alert to confirm a transaction has been made.

We will be closed for the Easter break from Good Friday on the 10th reopening Tuesday 14th of April.

We remind you to all take care travelling at this busy time as it will be the end of the Victorian school holidays and the start of the New South Wales school holidays, so please drive carefully.



Natural Mozzie Repellent = Vicks VapoRub, yep it works! It contains cedarleaf oil which is a natural insect repellent. Just rub a little on your skin and clothes. You don't have to rub it all over, just apply small dabs on your ankles, wrists, neck, and knees. The smell of menthol in it will repel the pesky insects.

Benefits of Commonwealth Seniors Health Card

<https://www.servicesaustralia.gov.au/individuals/services/centrelink/commonwealth-seniors-health-card/who-can-get-it/benefits>

With your card you can get:

Cheaper medicine under the Pharmaceutical Benefits Scheme also bulk billed doctor visits - this is up to your doctor. And a bigger refund for medical costs when you reach the Medicare Safety Net.

Other benefits: Your state or territory government and local council may offer you more.



I haven't lost all my marbles yet, but there's definitely a hole somewhere in the bag!

21st Century Nursery Rhymes

Humpty Dumpty sat on a wall, Humpty Dumpty had a great fall.
The structure of the wall was incorrect, so he sued and \$10 grand did collect.

It's raining it's pouring, of course it is, it's global warming.

Mary had a little lamb, it ran into a pylon, 10,000 volts it did take, which turned it's wool to nylon.



204 Allan Street, PO Box 432, Kyabram, VIC, 3619 P (03) 5851 2000 E admin@wspartners.com.au W www.wspartners.com.au
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