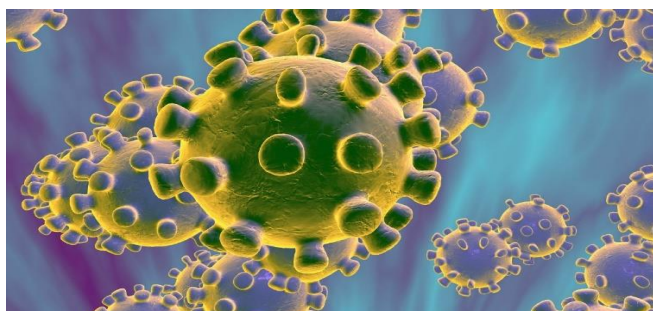




THE BOW BLOG

March 2020: This time it's different, but also kind of the same...

What a few weeks! With financial markets across the world seeing dramatic falls as a result of Covid-19, investors are being told to 'keep calm and carry on'. That might be good (if slightly trite) advice, but the news-flow isn't making it easy.



In the early days of the virus, stock markets reacted badly, but then seemed to steady themselves, leading to a belief that this was a temporary blip and things would soon return to normal. However, markets once again took fright, then bounced, then fell sharply again, as the virus continued to spread around the world. Most markets plunged into correction territory (a market decline more than 10%, but less than 20%) as panic over the spread of new virus triggered a wave of fresh sell-offs (sometimes due to 'triggers'). Many markets are now more than 20% off their peak levels.

Markets are so jittery because while reported new cases have dramatically fallen in China, the concern has shifted from a short-term (somewhat localised) outbreak scenario to a broader, longer and more international problem. Every continent on Earth bar Antarctica being affected by the virus, impact on economic activity has started to be reported and, of course, companies have started talking about what this 'SARS-2' could mean for their bottom line.

Tech giant Apple led the way, warning that it was going to miss revenue targets and a global shortage of iPhones was likely due to its Chinese factories being shut. Travel companies were the next to be hit with shares in IAG (British Airways' parent company), Ryanair, TUI and Jet2 falling sharply.

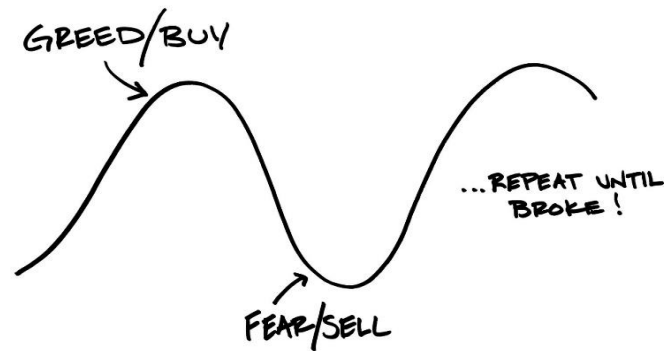


Markets are 'forward-looking' and they rise and fall in-line with sentiment, particularly over short periods, and the one thing they hate is *uncertainty*. An odd thing to write but some reassurance should be taken from the fact that the behaviour exhibited by markets over recent weeks is 'normal'. As the virus continues to spread and anxiety rises, markets

around the globe have started to reflect factors such as short-term disruption to the global supply chain and the more medium-term issues such as the possibility of a global recession. Whether they have 'over-reacted' remains to be seen.

So now what? It's worthwhile bearing in mind that many other factors also drive markets. Monetary, fiscal and other policy responses to the crisis that may emerge could outweigh decelerating growth in due course. Whilst the outlook may be uncertain and apprehension is clearly at a high point, it is important for all of us to maintain a long-term perspective. Maintaining a well-diversified portfolio serves to help mitigate risks through such volatile times, of course, and regular 'rebalancing' back to the split of different asset classes appropriate to your risk profile should mean that some of the short-term decision making is taken out of your hands during a period of heightened emotions.

If investors sell now, they will be crystallising their current position. It will require nerves of steel to sit still and do nothing, but investors should try not to get caught up in short-term noise. Sadly, many take the following approach:



At times like this it's worth recalling what Warren Buffett wrote in [the New York Times](#) in October 2008: *"The financial world is a mess, both in the U.S. and abroad. In the near term, unemployment will rise, business activity will falter and headlines will continue to be scary. So...I've been buying American stocks. A simple rule dictates my buying: be fearful when others are greedy, and be greedy when others are fearful. And most certainly, fear is now widespread, gripping even seasoned investors."*

Historically, many of the biggest falls in markets have come out of the blue and Covid-19 is another example. First, markets around the world recorded some of their worst days since the financial crisis, then we had the worst day since the crash of 1987. Another cliché, I know, but **time in the market rewards investors, not timing the market**. Once investors start trying to time markets based on emotions, they are simply guessing and for all intents and purposes, betting.

I hope these thoughts have been helpful. The MB team hopes and believes our clients, friends and families will stay safe, have the fortitude to remain focused on their long-term goals, block out some of the worst excesses in the media and come out on the other side of this extraordinary period, healthy in body and mind.

Andrew Toll, Chartered Financial Planner

IMPORTANT

This note is for discussion purposes only, not advice, and does not necessarily reflect the views of the firm or its partners.

We do not offer tax or legal advice; before undertaking any significant financial decision, it is sensible to consult an accountant and lawyer. Mulberry Bow LLP (OC397691) of 1st floor, The Cursitor, 38 Chancery Lane, London, WC2A 1EN is authorised/regulated by the FCA no. 679587.