



**THROGMORTON**  
PRIVATE CAPITAL

# Monthly Market Update



## May 2020

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### April Market Commentary

“Over the next year our prognosis for equities is unambiguously positive and in time, we expect a strong bounce back for markets”



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Early April was marked by a rally in equities and lower market volatility as COVID-19 infection rates peaked. Inspired primarily by the possibility of resumed economic activity, investors drove the MSCI All Country World Index 10.6% higher in April. However, with nearly 70% of the rally occurring in the first 9 days of the month, these developments have not been sufficient to fully alleviate a broader sense of pessimism.

The global economic backdrop continued to deteriorate through the month as GDP forecasts were further downgraded. Global lockdown restrictions caused an unprecedented services sector collapse and record U.S. jobless claims. With the majority of the unemployed likely to remain on benefits for some time, the short-term growth outlook remains profoundly negative and amid the worsening data, equity markets seesawed after their initial surge.

Equities were helped by governments' and central banks' economic support measures, which have provided a huge influx of liquidity. After pricing in dire pandemic scenarios to an extreme degree in March, the S&P 500 has since retraced more than half of its sharp 35% plunge, rising by 14.3% in April. Global bond markets also participated in April's rally. However, with the re-emergence of solvency concerns within the

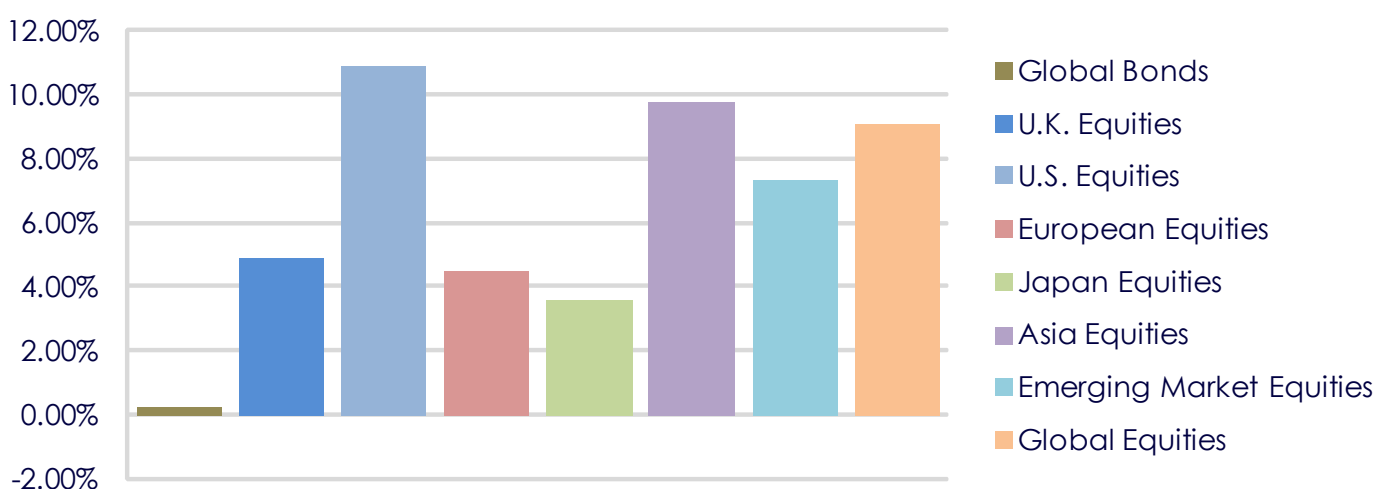
European periphery, particularly in Italy, and given Eurozone finance ministers' longstanding resistance to debt relief for troubled members, bond investors are focusing on increasing risks.

Much of the rebound in markets reflects the anticipation of peaks in the rate of new confirmed cases, the prospects of loosening extreme social distancing measures and of course the positive implications for economic recovery. However, with a vaccine for COVID-19 in all likelihood more than a year away, the

speed at which governments will be able to relax social distancing measures and consequently economies recover is unclear.

However, over the next year and beyond, our prognosis for equities is unambiguously positive. Despite near-term uncertainty over COVID-19 and its economic implications, we can be relatively certain of unprecedented global government monetary and fiscal policy support and consequently, in time, we expect a strong bounce back for markets.

## Discrete Monthly Performance as at 30/04/2020



**All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.**

## Cumulative Performance and Annualised Volatility as at 30/04/2020

	1 Year %	3 Years %	5 Years %	Volatility % <sup>2</sup>
Global Bonds	10.13	14.83	40.00	9.47
U.K. Equities	-16.68	-7.53	4.77	12.81
U.S. Equities	3.62	30.63	82.81	13.20
European Equities	-8.08	0.00	21.82	12.31
Japan Equities	0.25	10.06	35.70	11.65
Asia Equities	-7.16	4.29	30.21	15.11
Emerging Market Equities	-9.05	4.32	21.25	15.87
Global Equities	-0.78	18.70	54.91	12.34

Data source FE Analytics 30/04/2020. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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