MAZARS WEALTH MANAGEMENT

ICAEW – MARKET UPDATE



THE MAN WHO CHANGED THE WORLD

ezzi pubblici interoratori costretti a caeno che non operino zi essenziali —, attihe, sportive e feste di e sospese. Nelle stescui il ministro della oberto Speranza, volano per i primi conani, il laboratorio di logia e virologia deltà di Padova diagnonfezione nei due angovernatore veneto

ha riunito nella se-



Pensionato Adriano Trevisan, ucciso dal coronavirus a 78 anni

de dell'Usl Euganea crisi che, in collegan il ministro Speranza della Protezione civi lo Borrelli, ha adotta sure descritte e altre ziali». «L'ospedale di nia sarà chiuso e sv cinque o sei giorni -Zaia —. Nessuno po re, né i ricoverati sa messi prima di ess sottoposti a tampone «Le attività prog

sono sospese, i rico

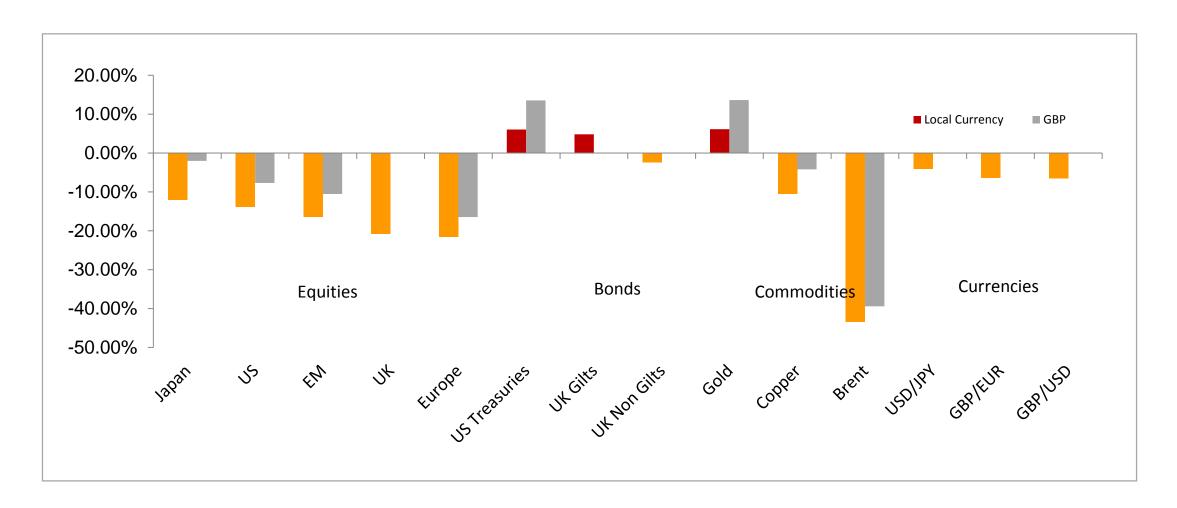
DEATH TOLL the disease is new to medicine, and data is still coming in. [HIGHEST TO LOWEST] Johns Hopkins University estimates 200M Black Death (Bubonic Plague) 56M Smallpox 40-50M 30-50M Spanish Flu Plague of Justinian The outbreak wiped Smallpox killed an estimated 90% of The death toll of this plague out 30-50% of Europe's Native Americans. In Europe during the is still under debate as new population. It took more than 1800s, an estimated 400,000 people evidence is uncovered, but The plague originated 200 years for the continent's were being killed by smallpox annually. many think it may have in rats and spread to population to recover. The first ever vaccine was created to helped hasten the fall of humans via infected fleas. ward off smallpox. the Roman Empire. A series of Cholera outbreaks spread around the world in the 1800s killing millions of people. There is no solid 25-35M 12M HIV/AIDS The Third Plaque Antonine 17th Century Asian Flu Russian Flu Hong Kong Flu Plague **Great Plagues** 1957-1958 1889-1890 1968-1970 outbreak 1981-PRESENT 1600 165-180 1817-1923 600K 200K 11.3K 100-150K 770 18th Century Swine Flu Yellow Fever Ebola MERS SARS Smallpox Epidemic **Great Plagues** 2009-2010 LATE 1800s 2014-2016 2012-PRESENT 735-737 1700 COVID-19 2019-9:33AM PT, MAY 15, 2020 [ONGOING]

This time **is** different:

- First "exogenous" economic shock after WWII
- In 1918 a post-war economy made up for the shortfall (plus GDP coming from a low base).
- The services sector has never been that important
- The world has never been so interconnected and transparent
- Money never moved so fast
- Fastest market drop-and rebound- on record
- Human life has never been more "important" than the economy.
- The world has neve been this indebted (or had printed so much non-inflationary money)
- The world has never spent so much money for a medicine

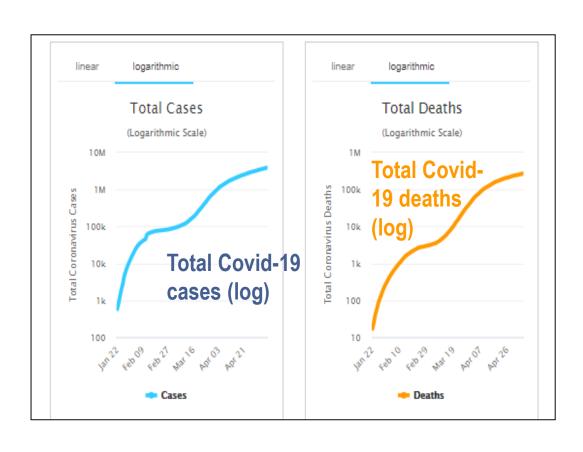


PERFORMANCE AFTER 21ST FEBRUARY





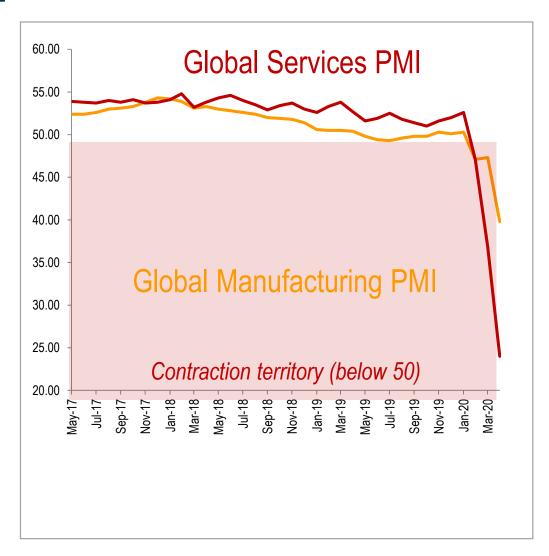
VIRUS IS FLATTENING - AND THE RACE FOR THE CURE IS ON

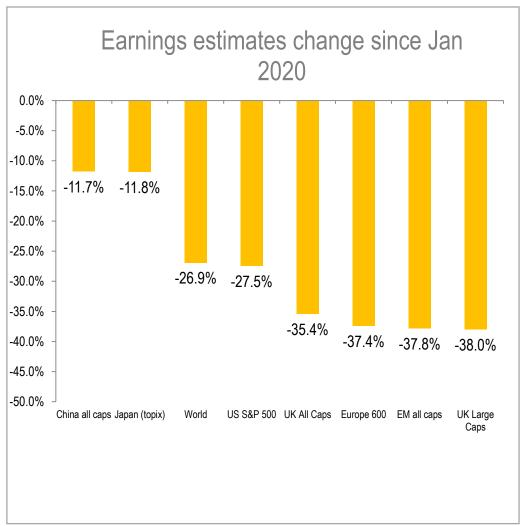


- 41 vaccines currently tested
- 38 tests being developed
- 23 treatment medications tested



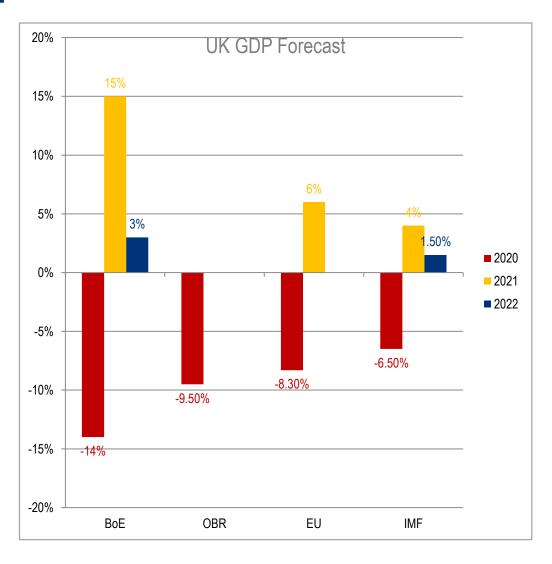
ECONOMY IS CONTRACTING, FAST

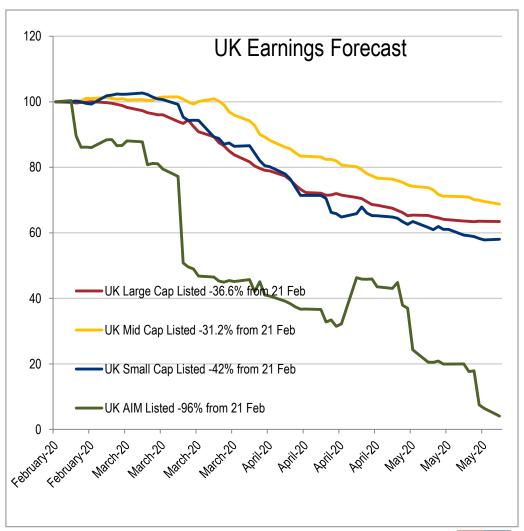






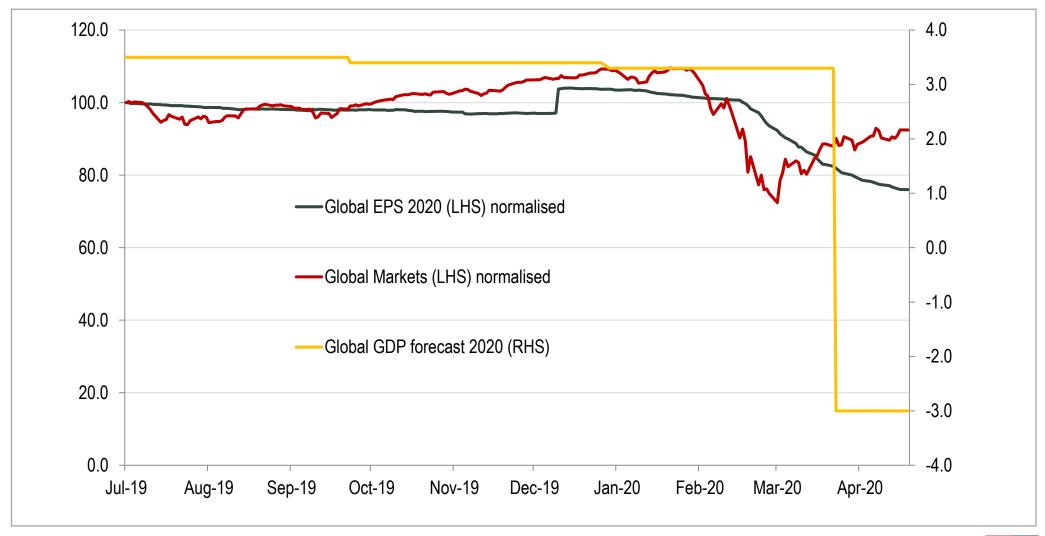
UK ECONOMY IS CONTRACTING, FAST



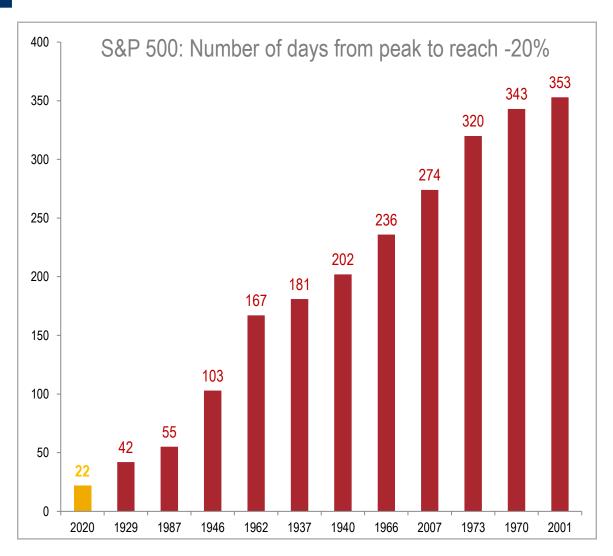


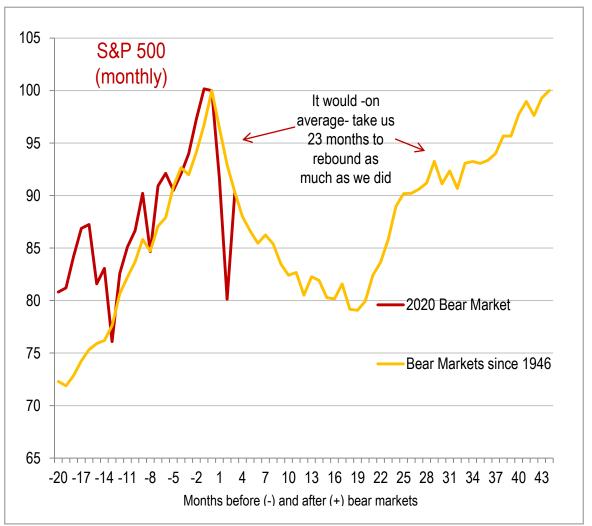


ECONOMIC AND MARKET DICHOTOMY



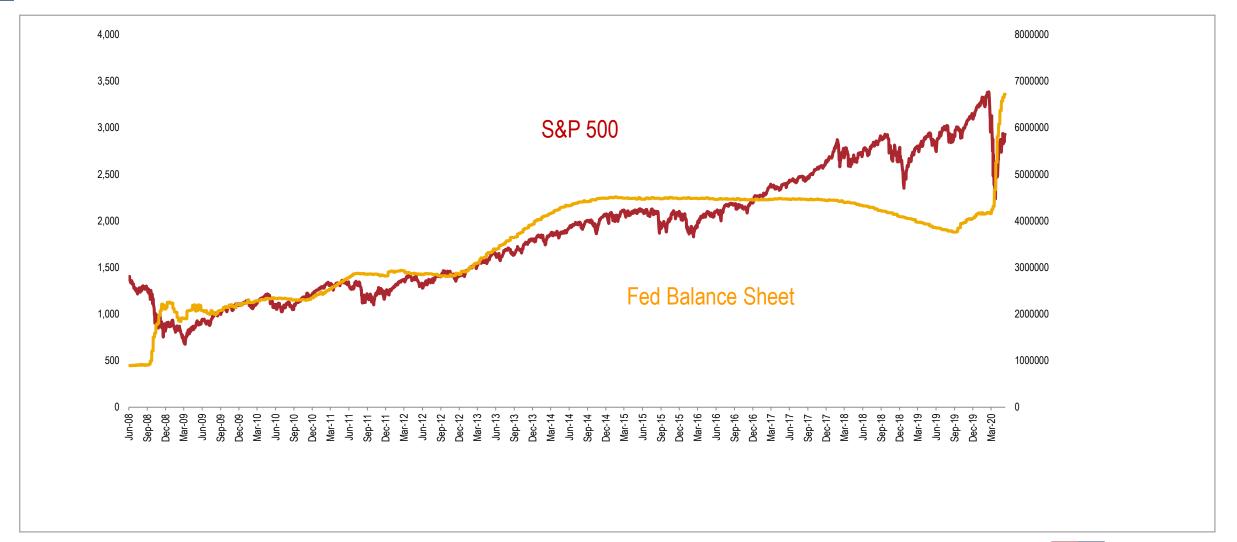
THE FASTEST DROP AND THE FASTEST RECOVERY





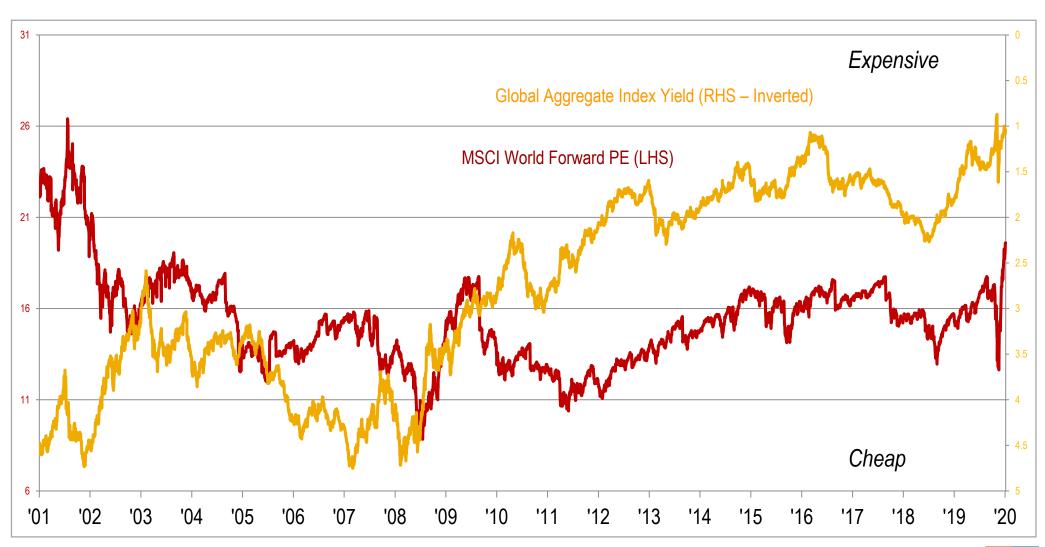


MARKET GOING ON QUANTITATIVE EASING



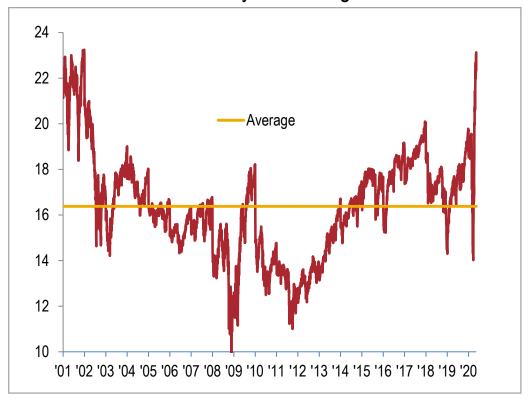


RISK ASSETS ARE EXPENSIVE

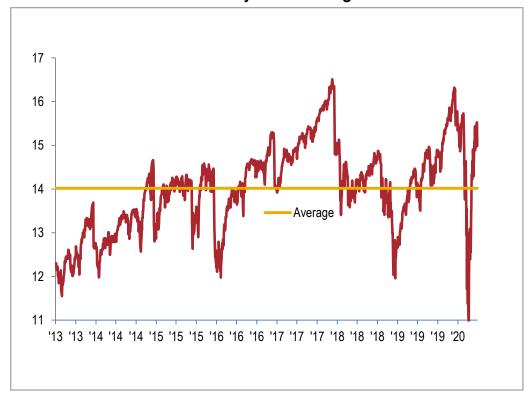


...BUT NOT IF ONE THINKS IN TERMS OF 2022 EXPECTATIONS

S&P 500 Valuations on 1 year earnings



S&P 500 Valuations on 3 year earnings



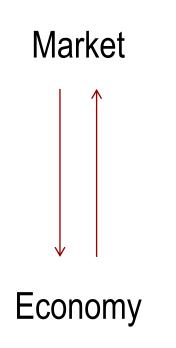


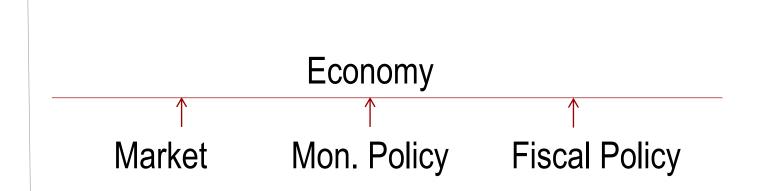
GOLD STILL A STORE OF VALUE





ECONOMIC AND MARKET DICHOTOMY





Wrong way to look at this market

Better way to look at this market



THE POSSIBILITY OF NEGATIVE INTEREST RATE POLICY (NIRP)

How NIRP Works

Banks pay for the deposits they hold with central banks. Depositors are charged instead of getting an interest.

Banks pass the costs to consumers and corporations.

Consumers and corporations are forced to invest to get a positive return.

We have printed an unprecedented amount of money. NIRP is a measure to avoid that money staying in cash.

What is the problem?

- In Europe there have been little evidence of success in the past 3 years. But it has hit bank profitability.
- Banks in New York fervently oppose it. So does the Fed and the BoE.
- Markets, on the other hand want it, as it will mean more investments.

Will it happen?

• It is still a remote probability for the UK and the US. But, if the economic slowdown is severe, tools like that could be used. If that happens, it could completely change the role of cash (and maybe even "near cash" for portfolios.



SNAPSHOT

Market outlook

- It's a new cycle and the direction is not clear. There are still two unknown variables
 - The course of Covid-19 (second wave, testing, medicines, vaccine)
 - How consumers will react to the new reality and how unemployment is going to affect people.
- Markets are supported by at least \$4tr of new assets (Fed + ECB) and a lot of fiscal spending to keep unemployment low, especially in Europe. Stocks have recovered about half their losses in March.
- Both stocks and bonds right now are very expensive. It's normal to worry (we do) but traditional metrics capture only earnings (25% downgrade) not earnings + central bank support.

What we are doing for our portfolios.

We have maintained asset allocation and have benefited from the rebound.

Should clients continue to invest in such an environment?

- It is still a good environment to invest over the longer term. Governments and central banks have exhibited their commitment to keep the market going at all costs.
- Investing in the financial economy is a great way to hedge against risks in the real economy.



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