



ICAEW – MARKET UPDATE

THE MAN WHO CHANGED THE WORLD

ezzi pubblici inter-
ratori costretti a ca-
eno che non operino
zi essenziali —, atti-
he, sportive e feste di
e sospese. Nelle stes-
cui il ministro della
oberto Speranza, vo-
lano per i primi con-
ani, il laboratorio di
logia e virologia del-
tà di Padova diagno-
nfezione nei due an-
governatore veneto
ha riunito nella se-



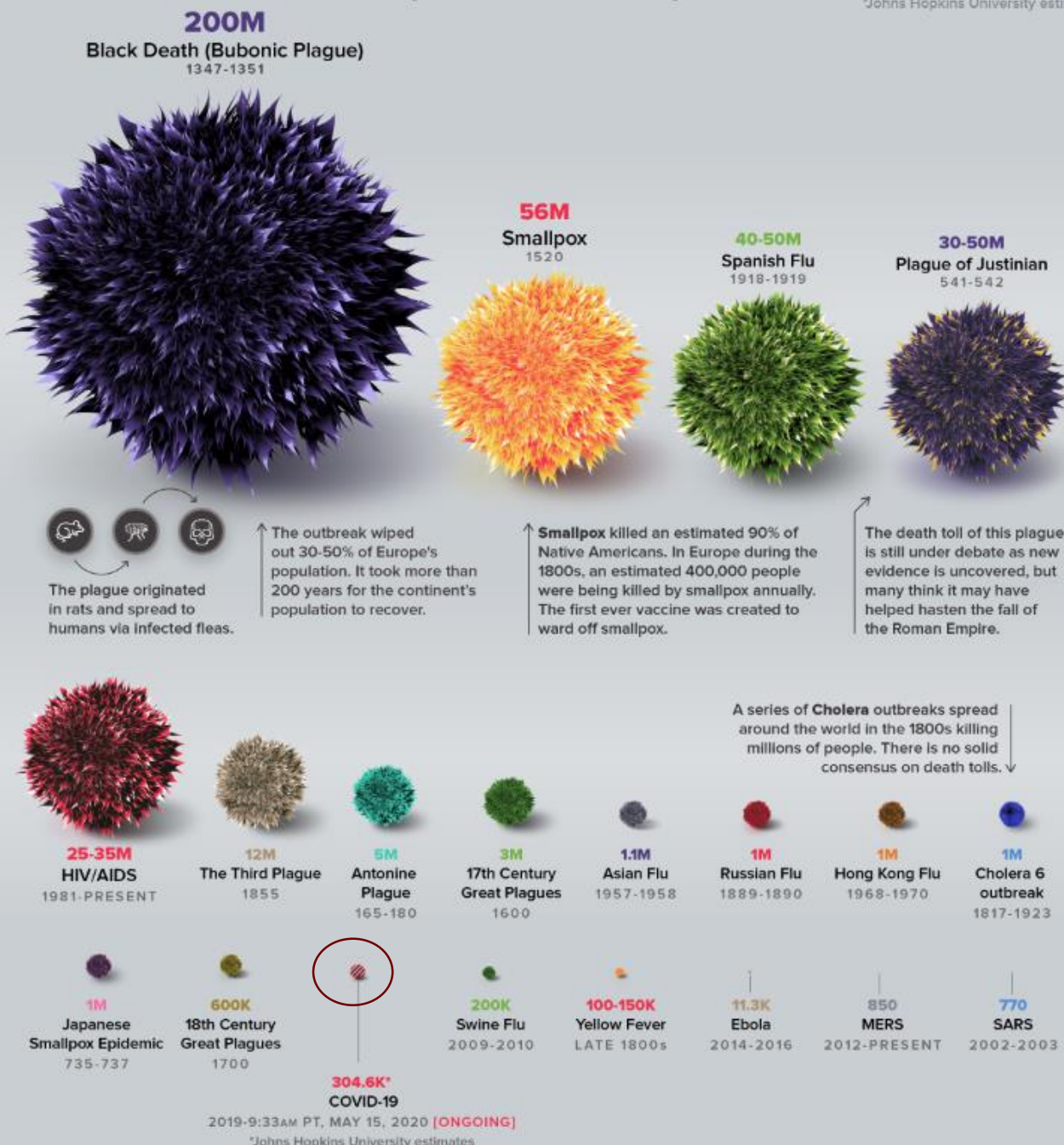
Pensionato Adriano Trevisan,
ucciso dal coronavirus a 78 anni

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 tampon
«Le attività prog
sono sospese, i ricc

DEATH TOLL [HIGHEST TO LOWEST]

the impact of COVID-19 because the disease is new to medicine, and data is still coming in.

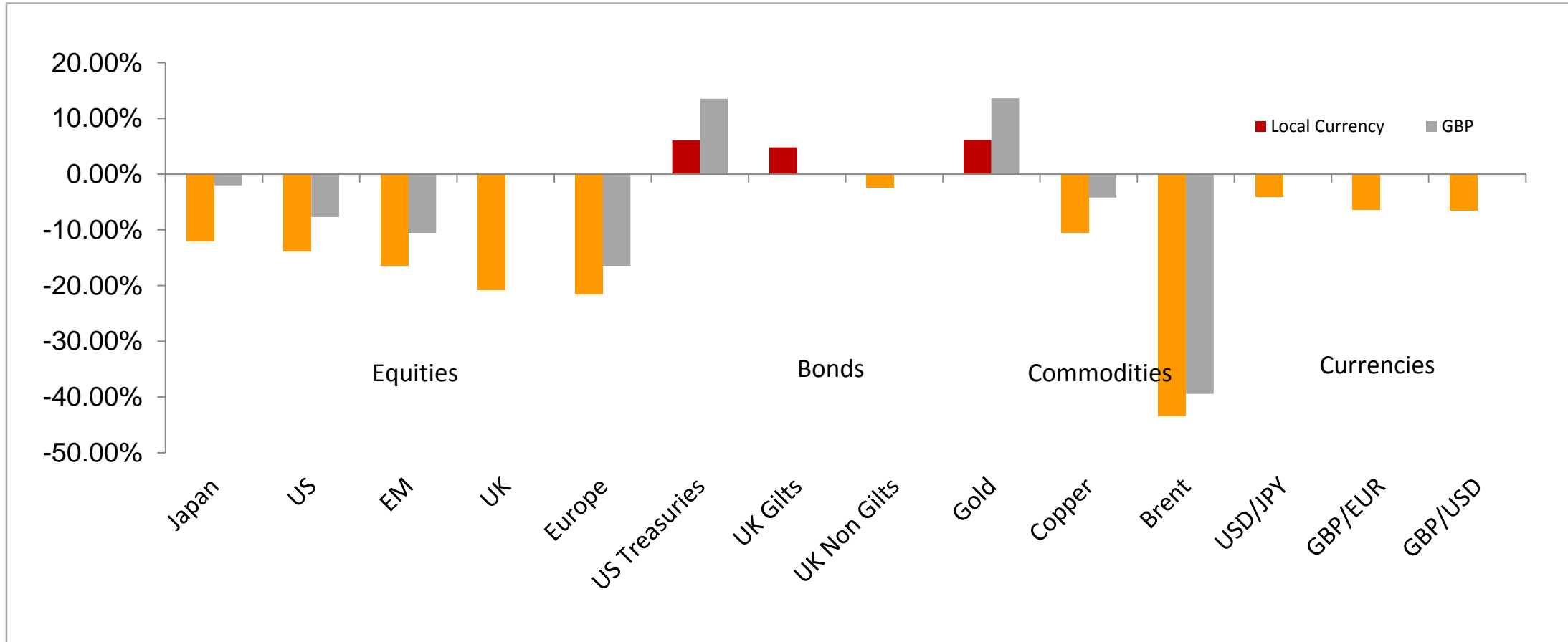
*Johns Hopkins University estimates



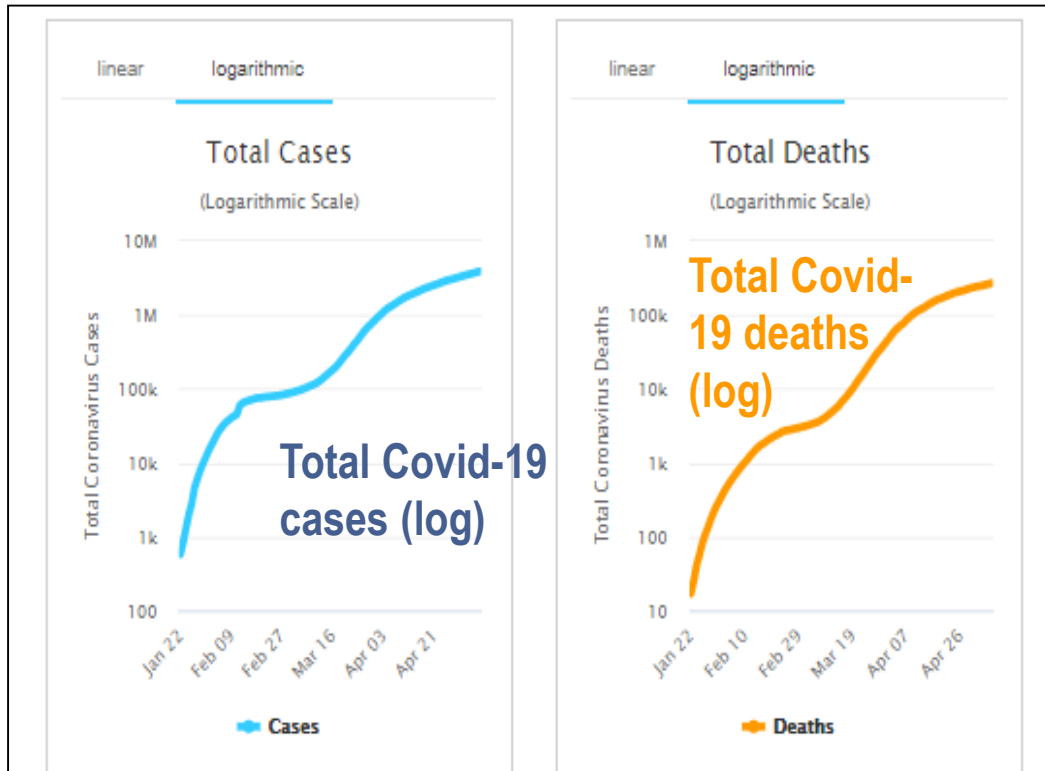
This time is different:

- 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 never 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

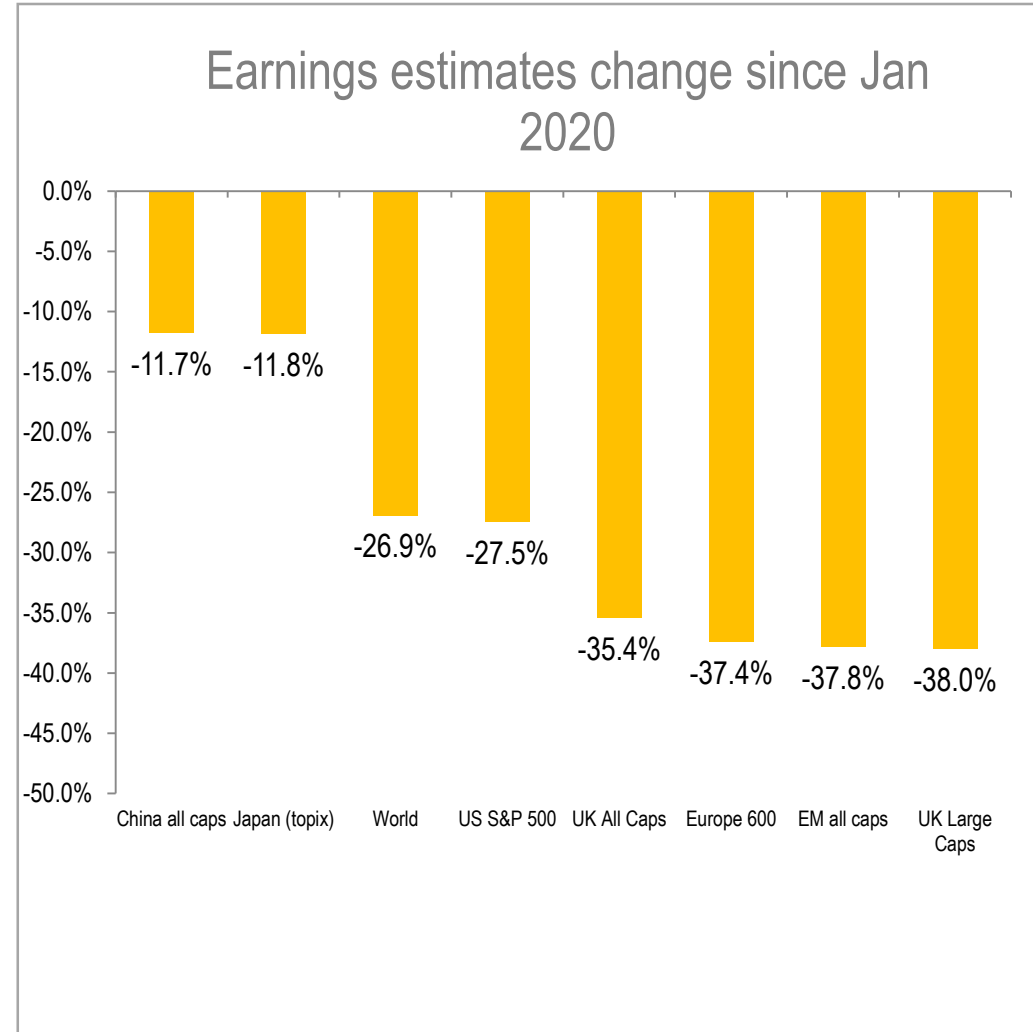
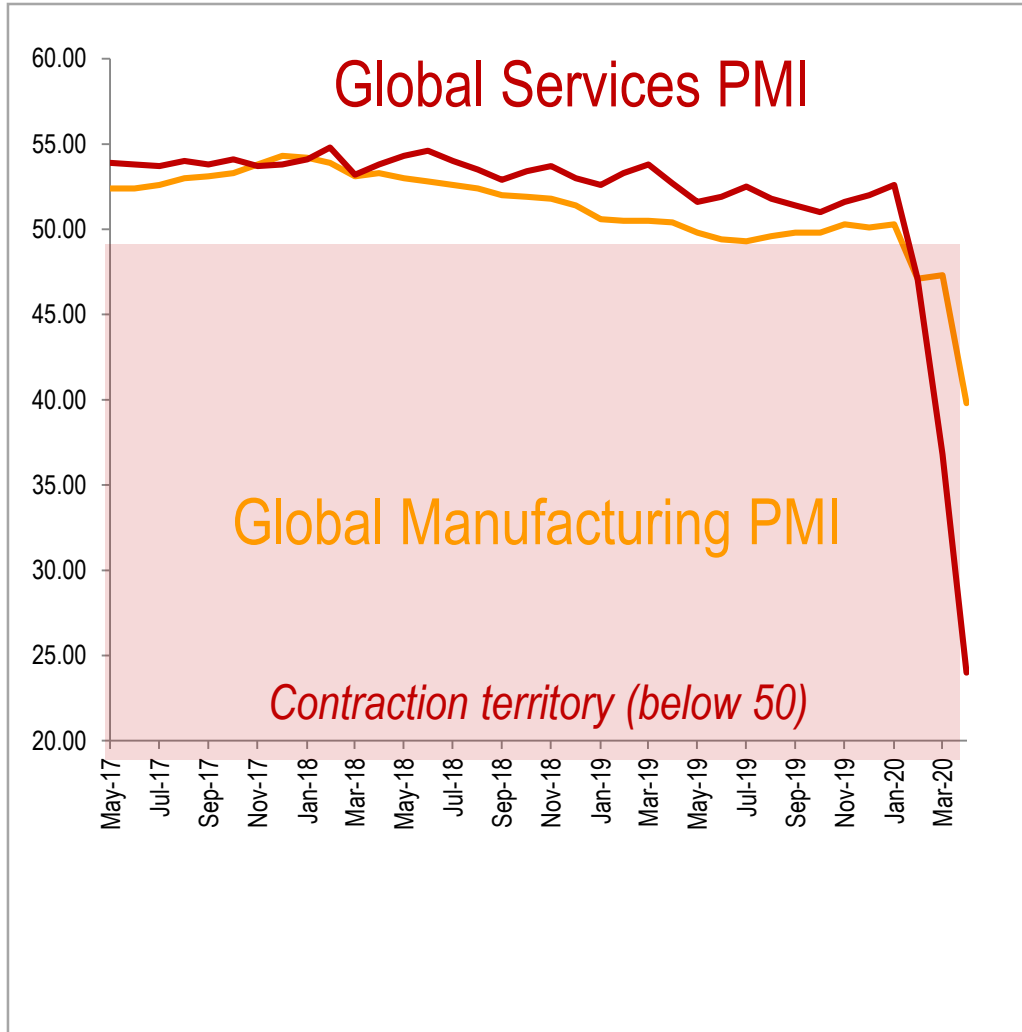


41 vaccines currently tested

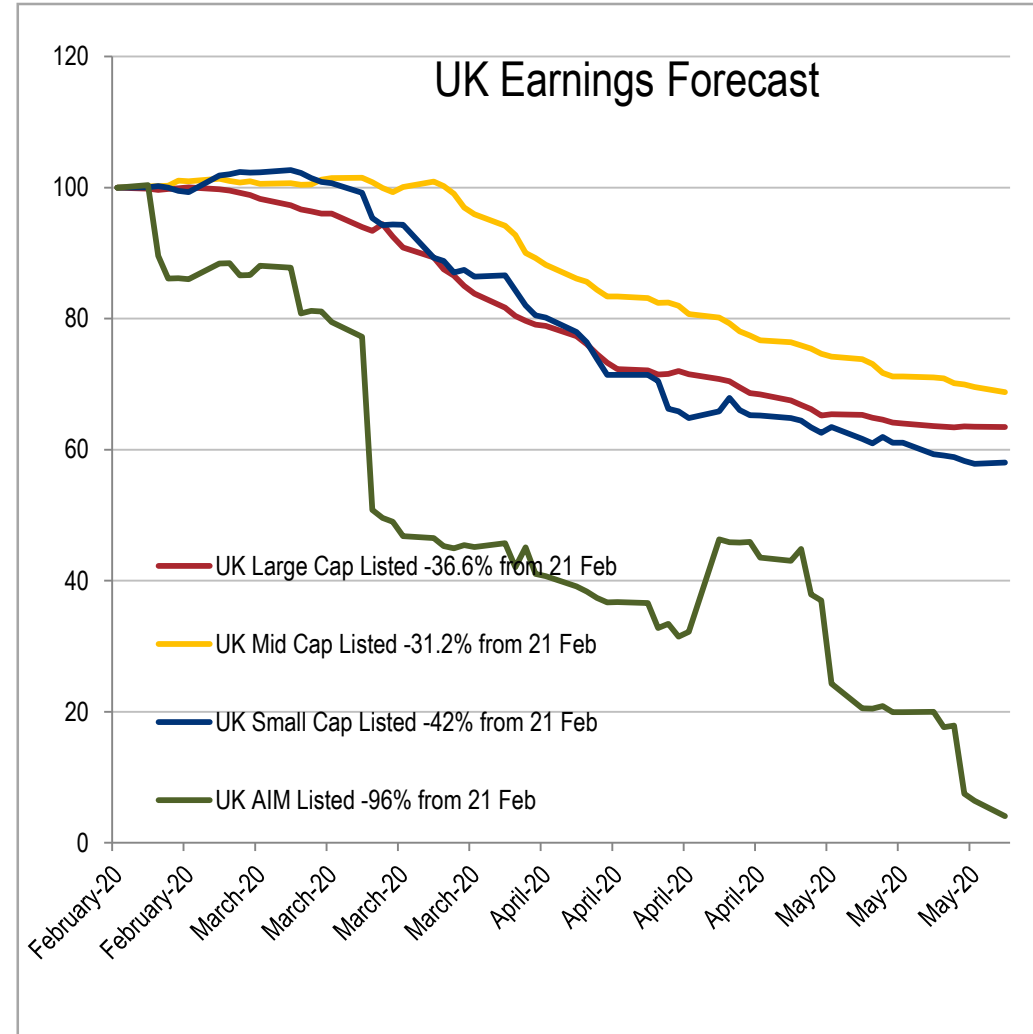
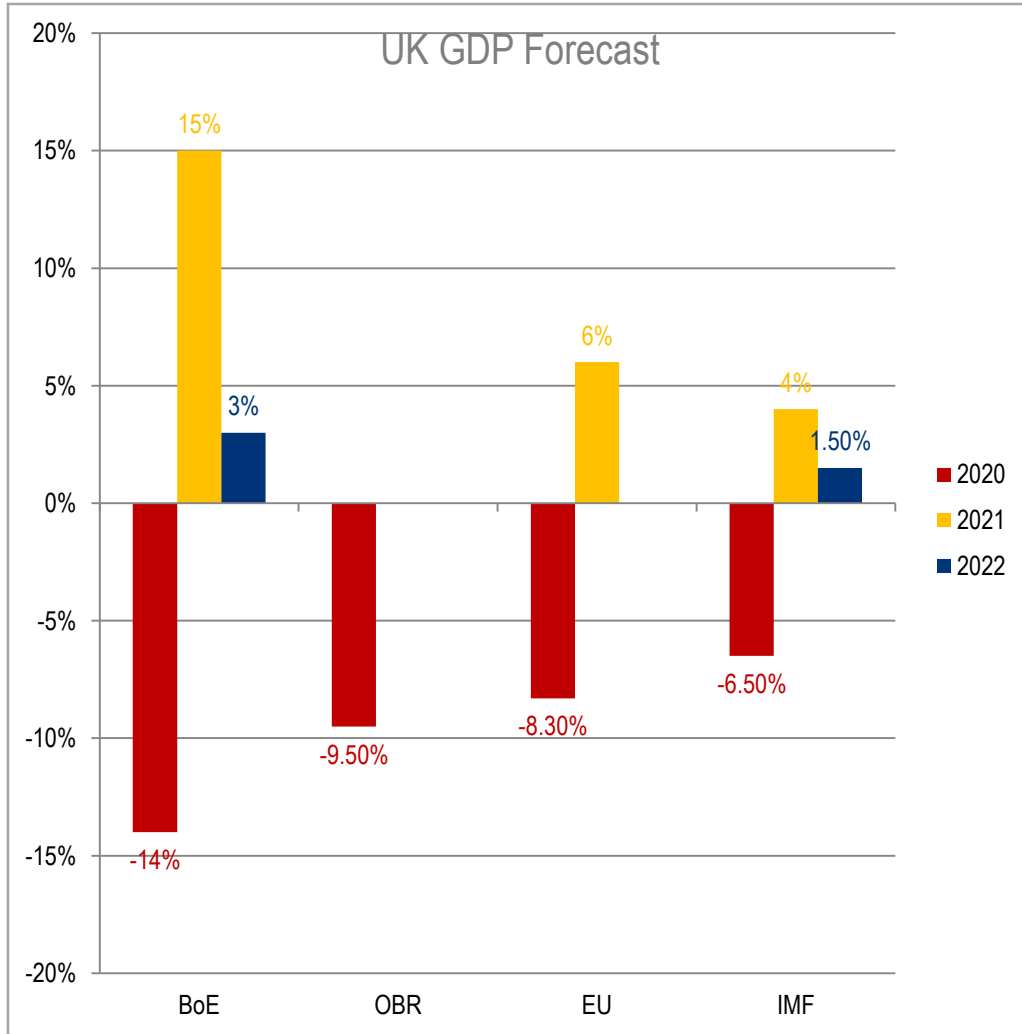
38 tests being developed

23 treatment medications tested

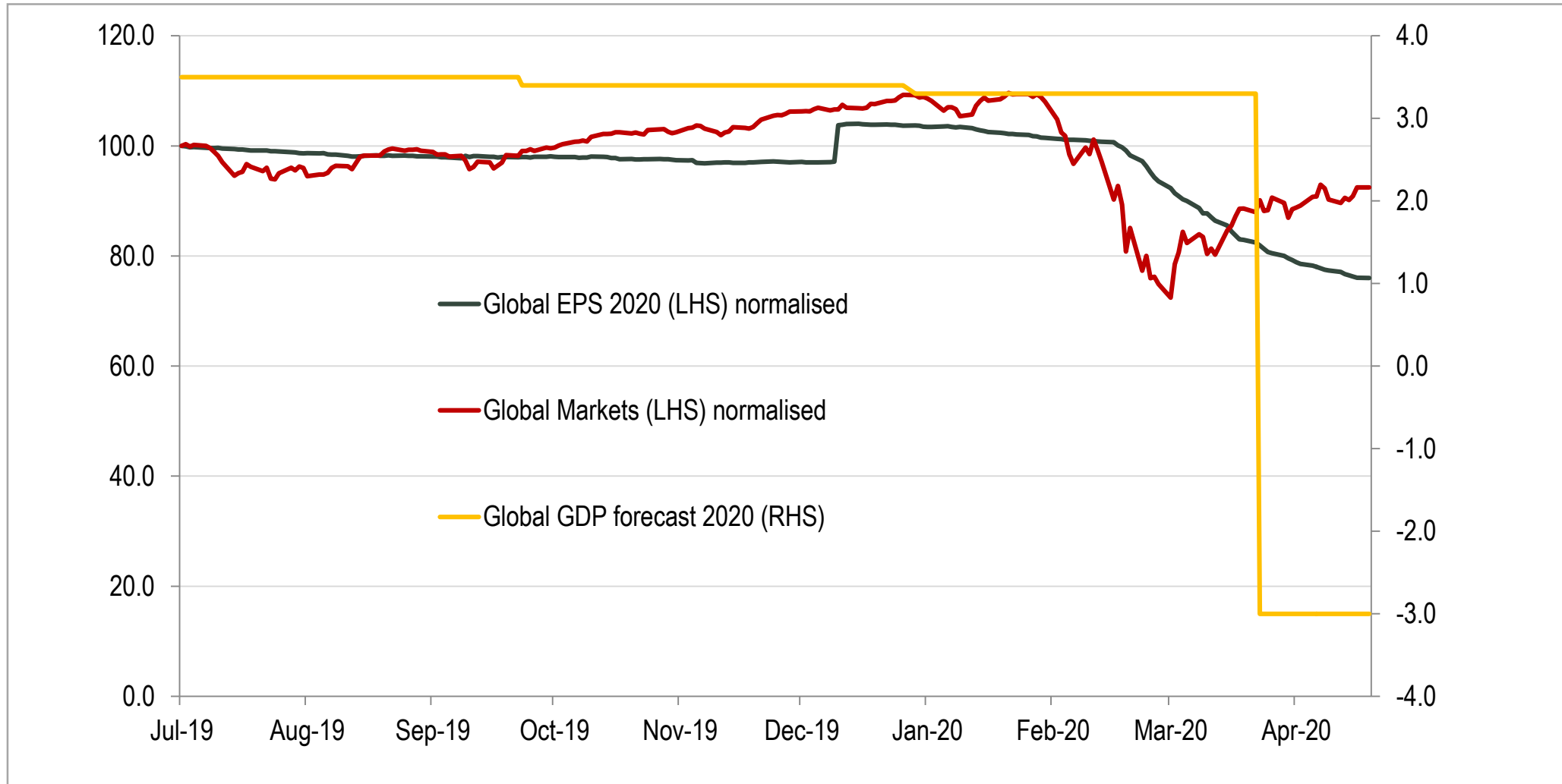
ECONOMY IS CONTRACTING, FAST



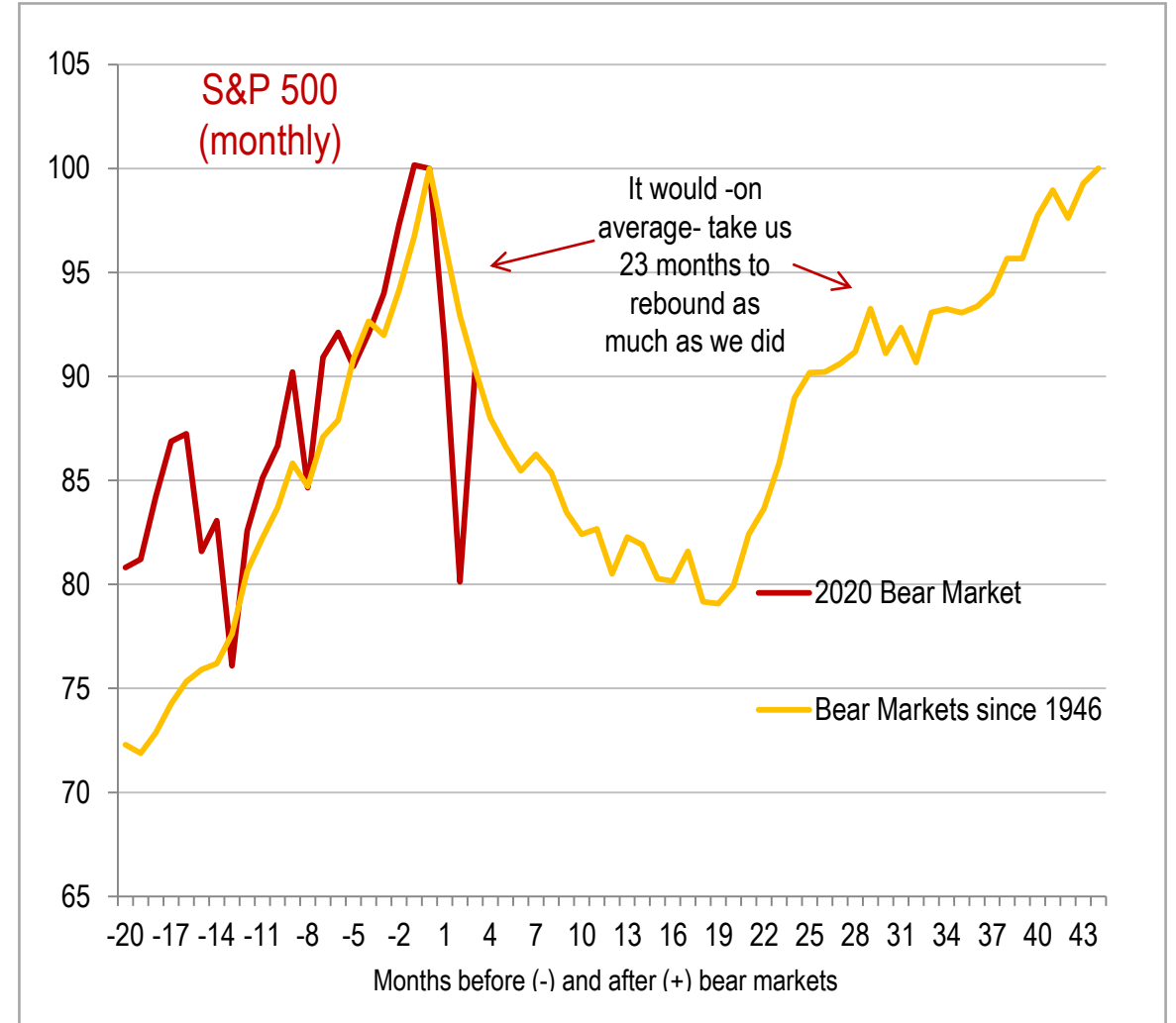
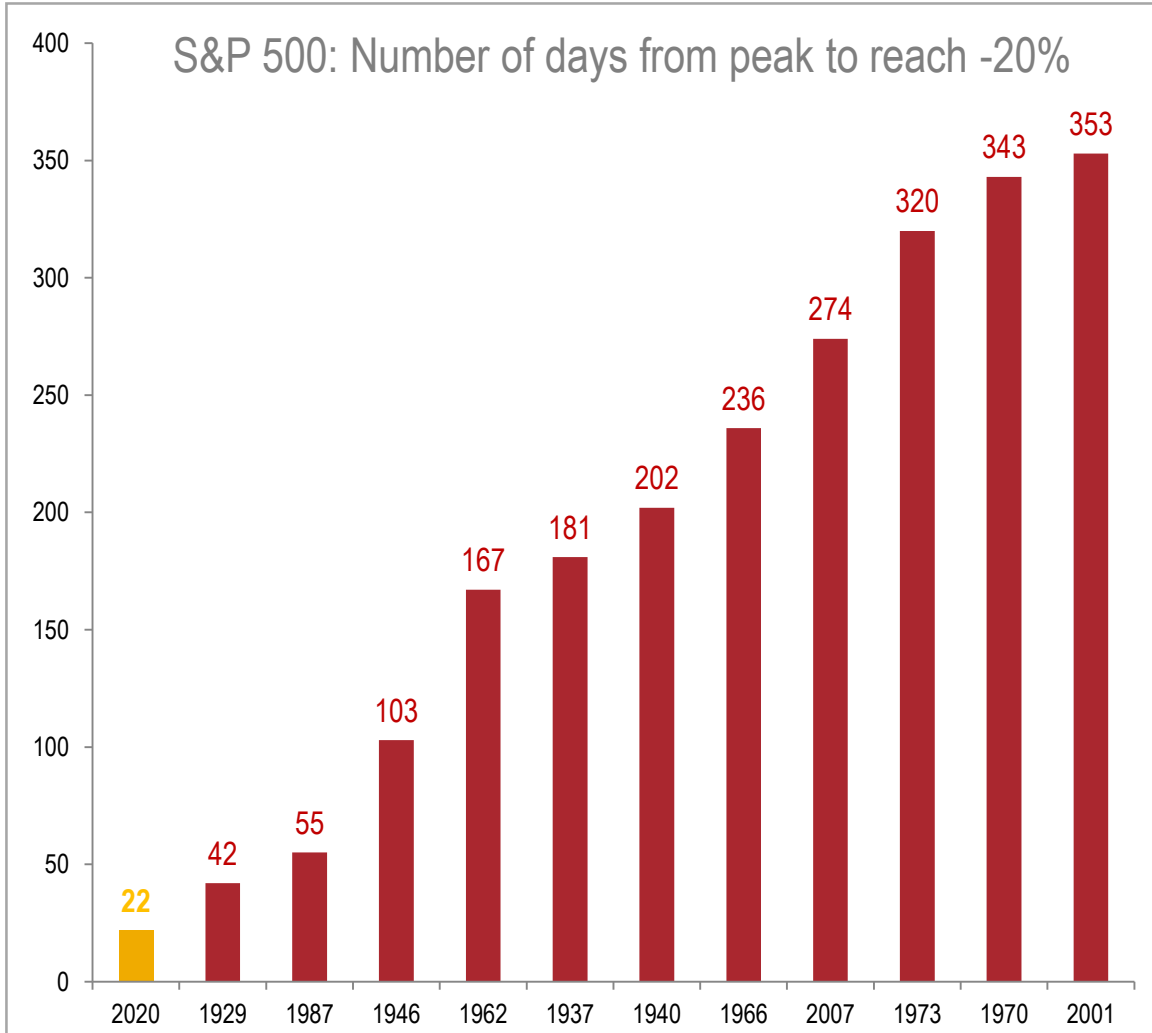
UK ECONOMY IS CONTRACTING, FAST



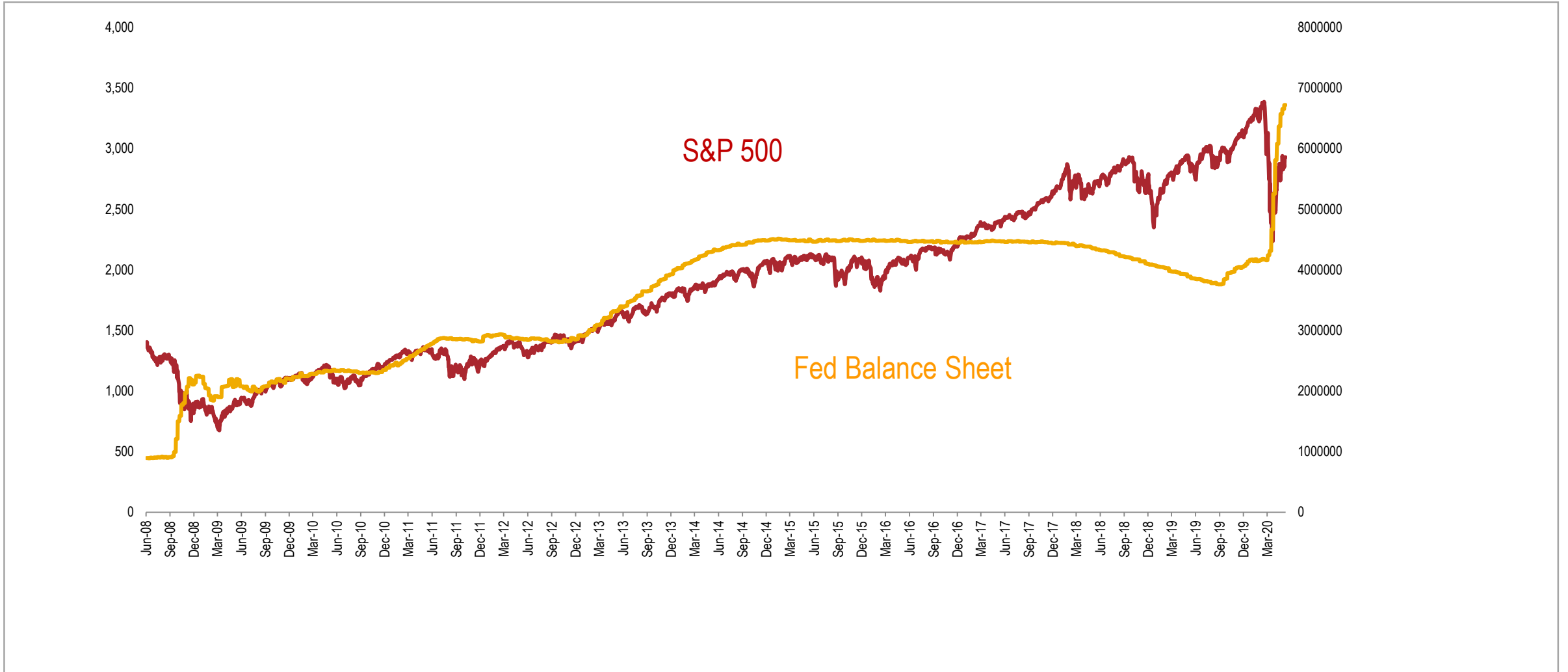
ECONOMIC AND MARKET DICHOTOMY



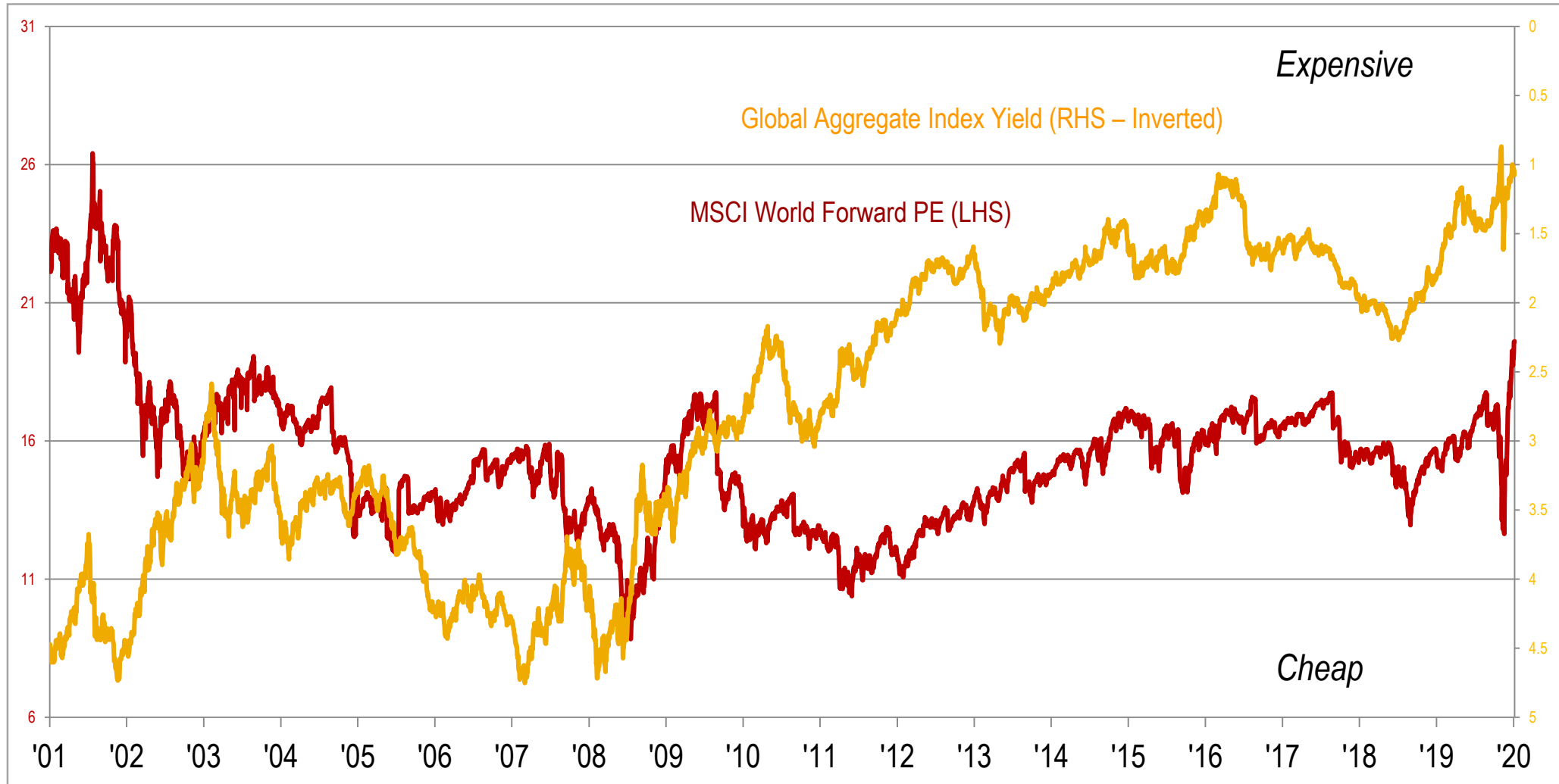
THE FASTEST DROP AND THE FASTEST RECOVERY



MARKET GOING ON QUANTITATIVE EASING

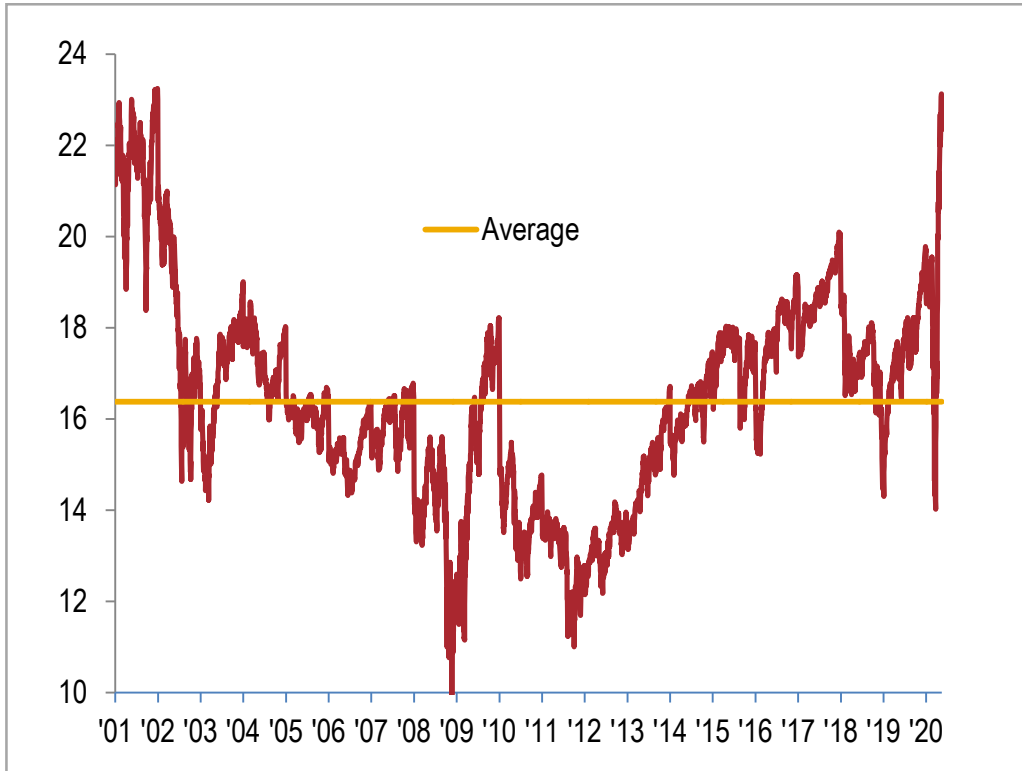


RISK ASSETS ARE EXPENSIVE

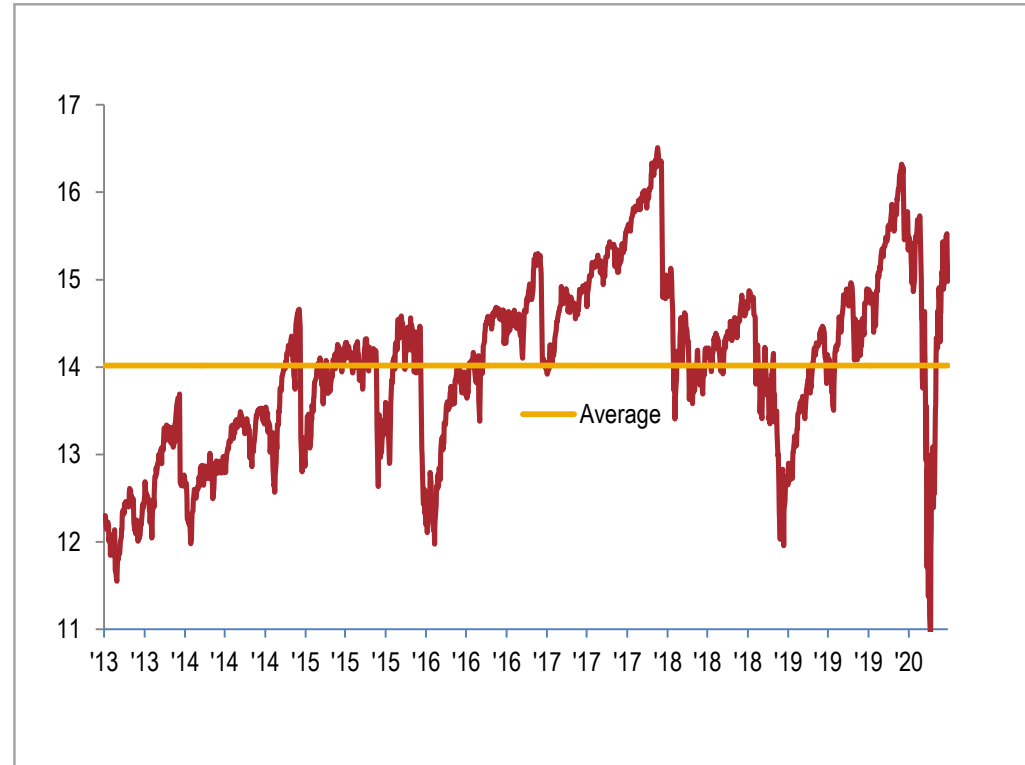


...BUT NOT IF ONE THINKS IN TERMS OF 2022 EXPECTATIONS

S&P 500 Valuations on 1 year earnings



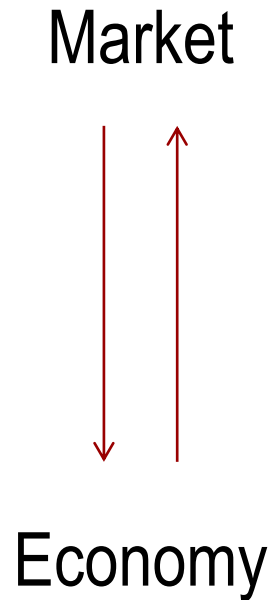
S&P 500 Valuations on 3 year earnings



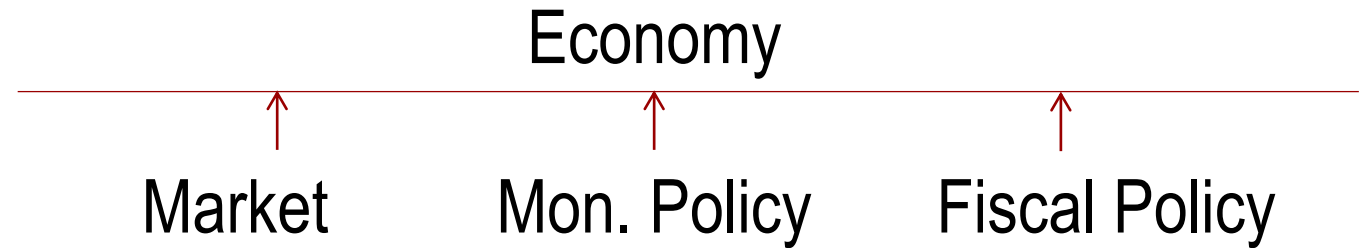
GOLD STILL A STORE OF VALUE



ECONOMIC AND MARKET DICHOTOMY



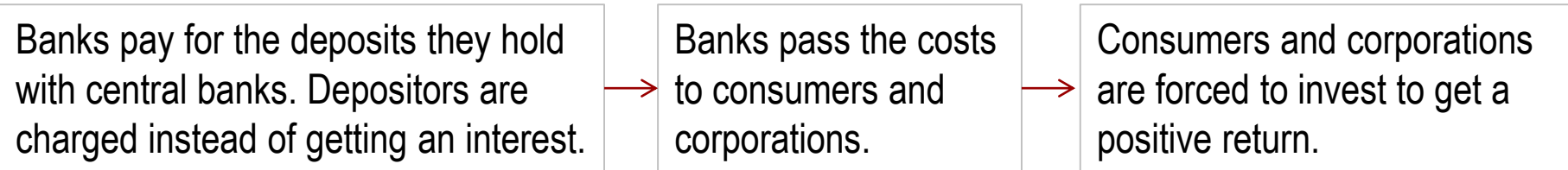
 Wrong way to look at this market



 Better way to look at this market

THE POSSIBILITY OF NEGATIVE INTEREST RATE POLICY (NIRP)

How NIRP Works



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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