

What impact did Covid-19 have on financial markets?

Fears of the rapidly spreading disease and economic shocks that would lead to a global recession rippled through financial markets, affecting almost every asset class and driving up market volatility. In response, governments and central banks around the world embarked on unprecedented fiscal and monetary measures to cushion the impact of the pandemic.



Asia Pacific

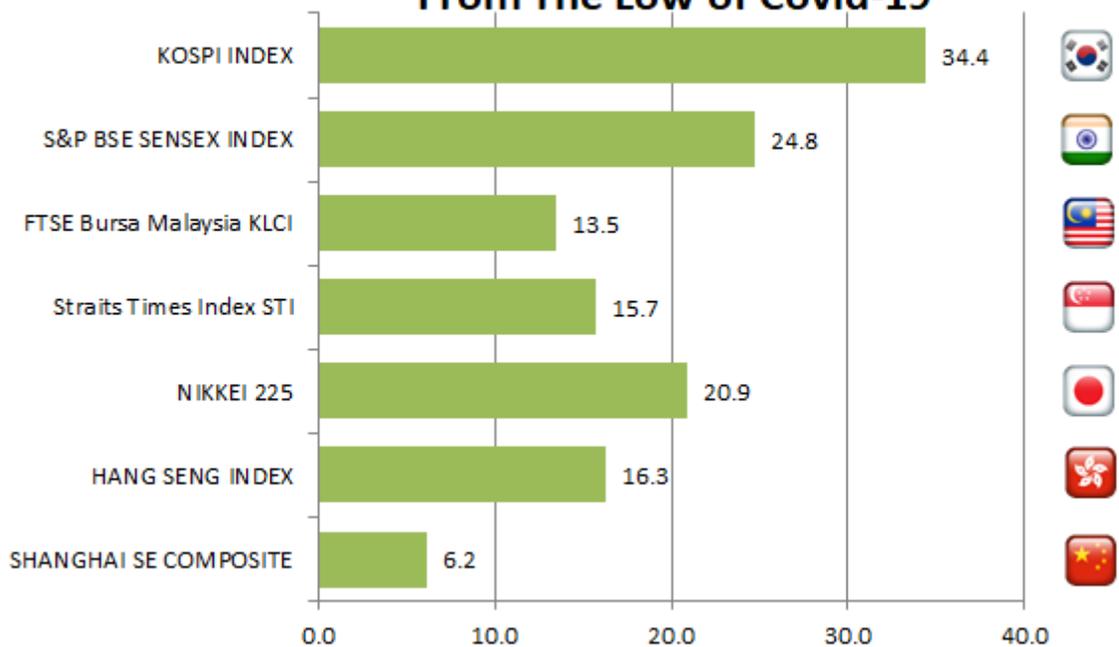
Investors' reaction to the crisis was prompt and strong, as the Shanghai Composite Index and Shenzhen Composite Index plunged 7.7 % and 8.4 % respectively, after markets reopened for trading on 3 February following an extended Lunar New Year break. Meanwhile, the Hong Kong Hang Seng Index lost 6 %. With a slowdown in new Covid-19 infections and gradual resumption of economic activities, mainland Chinese indexes have since have been on gradual path to recovery and are now among the world's best performing, although the Hang Seng Index is still down by double digits for the year.

Stocks in Japan, whose many companies operate manufacturing plants in China, saw muted reactions to the early stages of the outbreak but joined the global rout in mid-February and are down nearly 20 % year-to-date. Other Asian markets including Singapore, the Philippines, and Indonesia too entered bear market territory, defined as a 20 % drop from recent peaks. Australia, a country that has recorded far fewer cases than many other countries, was among the hardest-hit equity markets in Asia Pacific, at one point losing nearly half of their market capitalization, due to its close economic ties and energy-centric trade with China.

Major Asia Pacific Markets YTD Change %

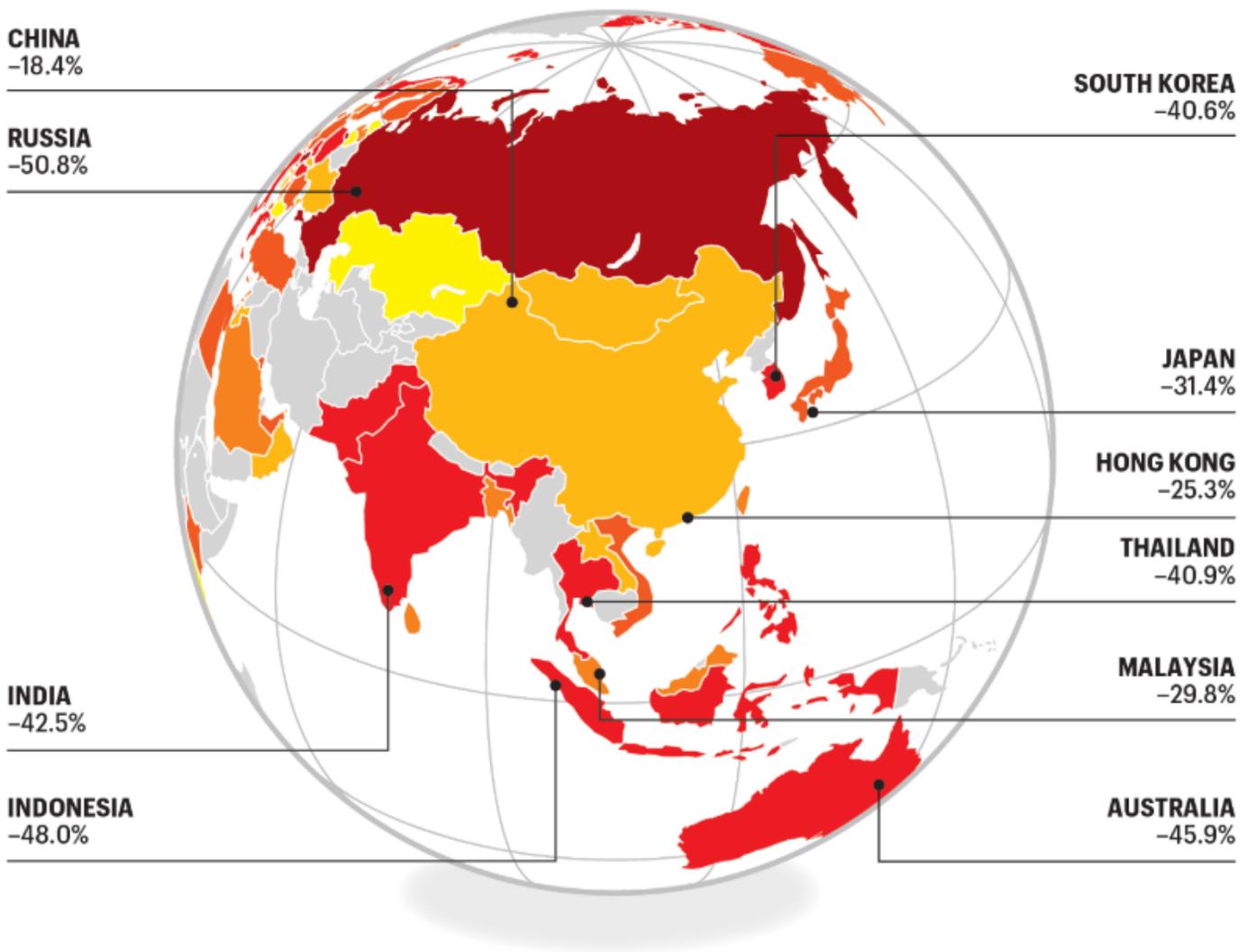


Major Asia Pacific Markets % Recovery From The Low of Covid-19



** as at 27th Apr 2020; Data Source : Bloomberg

Impact on Asia Pacific Markets



Source: <https://fortune.com/longform/coronavirus-stock-market-economies-of-the-world-global-recession-2020/>

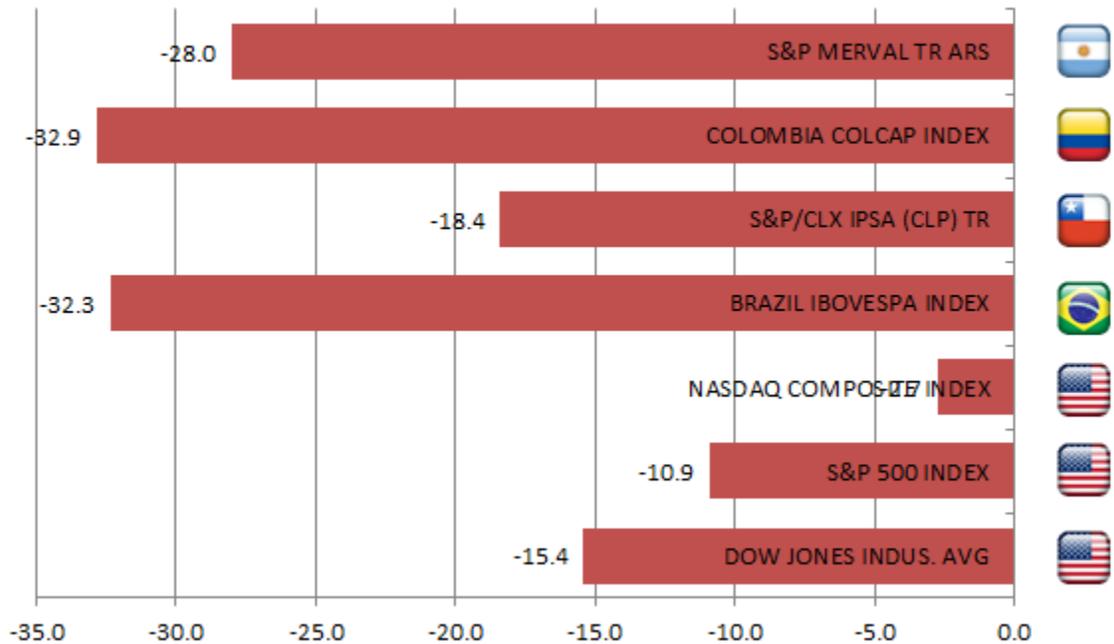
United States

Early on, when the infections were believed to be limited within China's borders, Wall Street saw a sharp but brief drop on concerns of China's supply chain disruption and weakened consumer market, where were later shrugged off by investors as stocks continued to scale to record highs until 19 February.

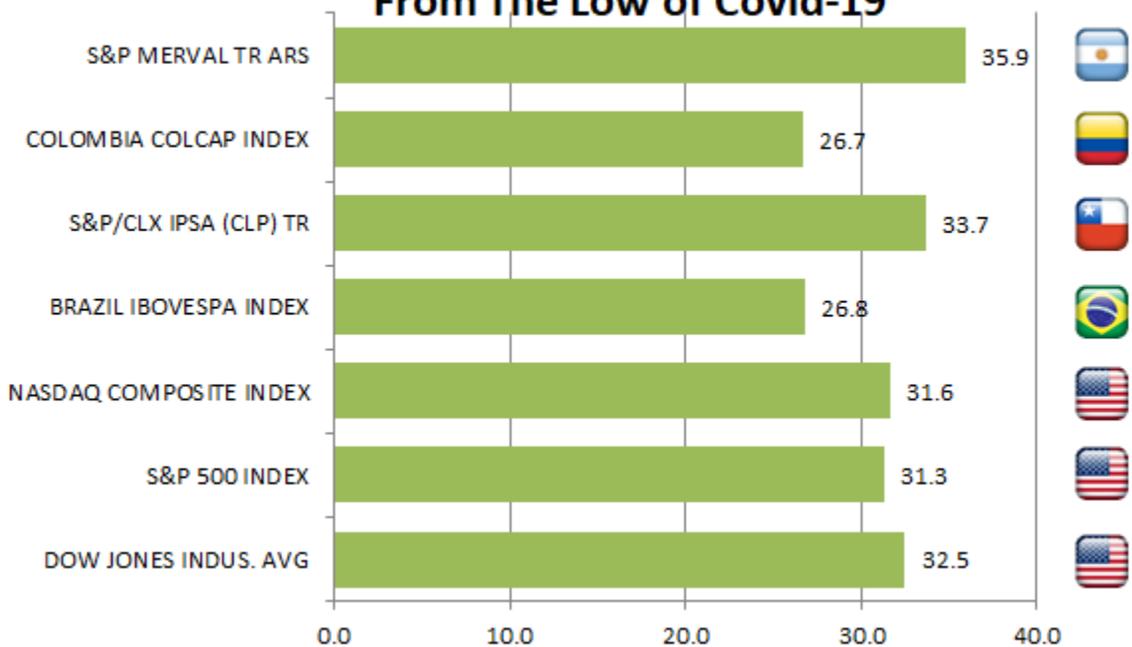
On Monday, 24 February, the Dow Jones Industrial Average fell 3 % as the spread of the virus accelerated outside China over the weekend. 27 February recorded the steepest drops of the Dow, S&P 500 and Nasdaq 100 since the 2008 financial crisis. In early to mid-March, the major indexes recorded sharp plunges (but also some strong rebounds) that triggered a series of circuit breakers, designed to curb panicked selling. Wall Street would later see more dramatic declines, including the largest single-day point drop of the Dow Jones Industrial Average on 9 March, which was labelled by media outlets as "Black Monday of 2020". Three days later, 12 March became what is now known as Black Thursday of a worldwide market crash, when U.S. equity markets suffered the biggest single-day percentage drop. The Dow crashed 10 %, while the S&P 500 and Nasdaq dove 9.5 % and 9.4 % respectively, which triggered a second circuit breaker in that week. On Black Monday II (16 March), the major indexes lost between 12 to 13 %. By then, Wall Street had fallen deeper into bear market territory and the Dow surrendered almost all the gains that were made since U.S. President Donald Trump took office in January of 2017.

Taking comfort a series of stimulus packages approved by Congress, markets have recovered substantially from the recent lows as the U.S. economy attempts to gradually reopen.

Major America Markets YTD Change %



Major America Markets % Recovery From The Low of Covid-19



** as at 27th Apr 2020; Data Source : Bloomberg

Impact on America Markets



Source: <https://fortune.com/longform/coronavirus-stock-market-economies-of-the-world-global-recession-2020/>

Europe

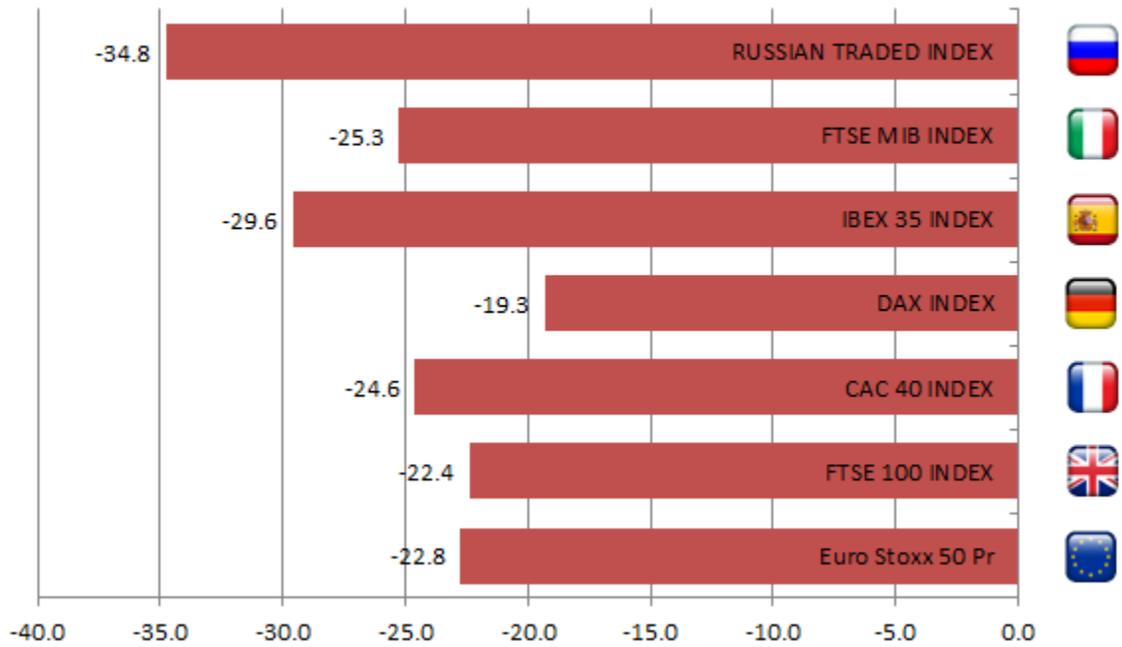
Similar to the U.S., investors in Europe were initially indifferent to the early stages of the outbreak. Even by mid-February, stocks were generally still near their all-time or recent highs. It was only when the pandemic had worsened outside of China that sent European markets crashing. When markets opened on Monday February 24, investors took cue from the surge in coronavirus cases in Italy to sell stocks off, with London's FTSE 100 falling more than 3 %. In continental Europe, the DAX, CAC 40 and IBEX 35 each fell by about 4% and the FTSE MIB fell over 5%.

Then came the Black Monday of 2020 (9 March), the FTSE 100 plunged 7.7 %, its worst decline since the 2008 financial crisis. Paris' CAC 40, and Frankfurt's DAX tumbled 8.4%, and 7.9% respectively. The FTSE MIB of Italy, the most severely affected European nation, plummeted by 11.2%. By then the STOXX Europe 600, the index consisting of six hundred big, medium and small-cap company stocks from 17 European, had fallen to over 20 % from its year high, sending the continent into bear market territory. Europe was also a casualty of Black Thursday, when markets sank by 11 % as investors reacted negatively to the travel ban against the Schengen Area imposed by the United States, as well as the European Central Bank's (ECB) decision to leave interest unchanged that defied market expectations. The major European indexes: FTSE 100, DAX, CAC40, and FTSE MIB, all suffered double-digit losses in a single day.

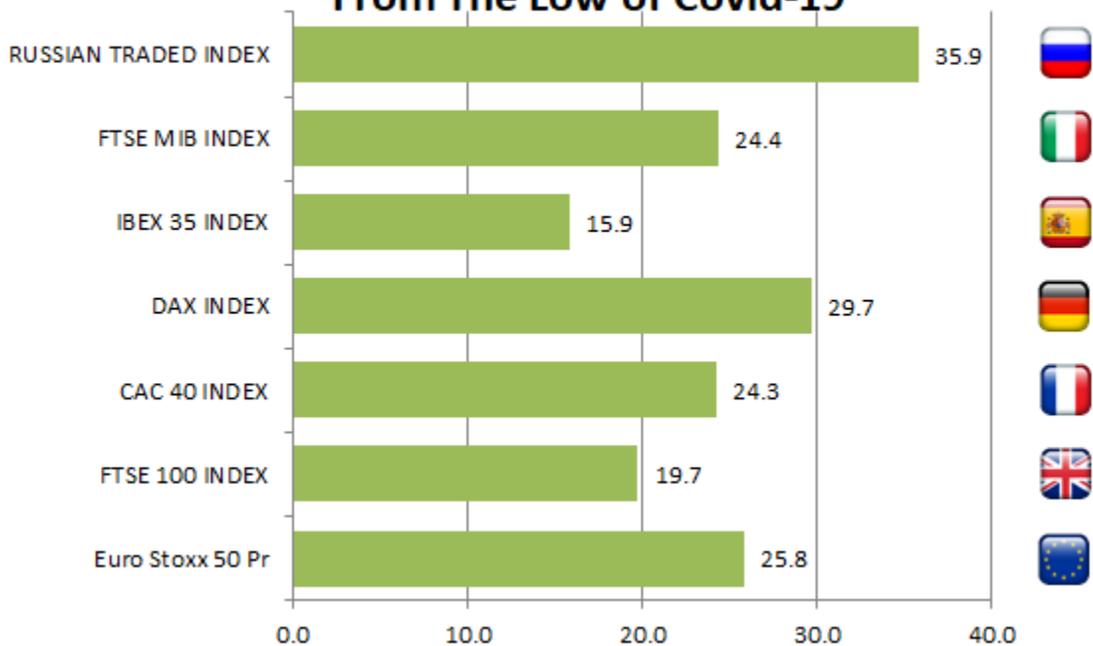
Markets have since recouped some of the losses as a result of ECB action and fiscal action by individual European governments.

Europe

Major European Markets YTD Change %



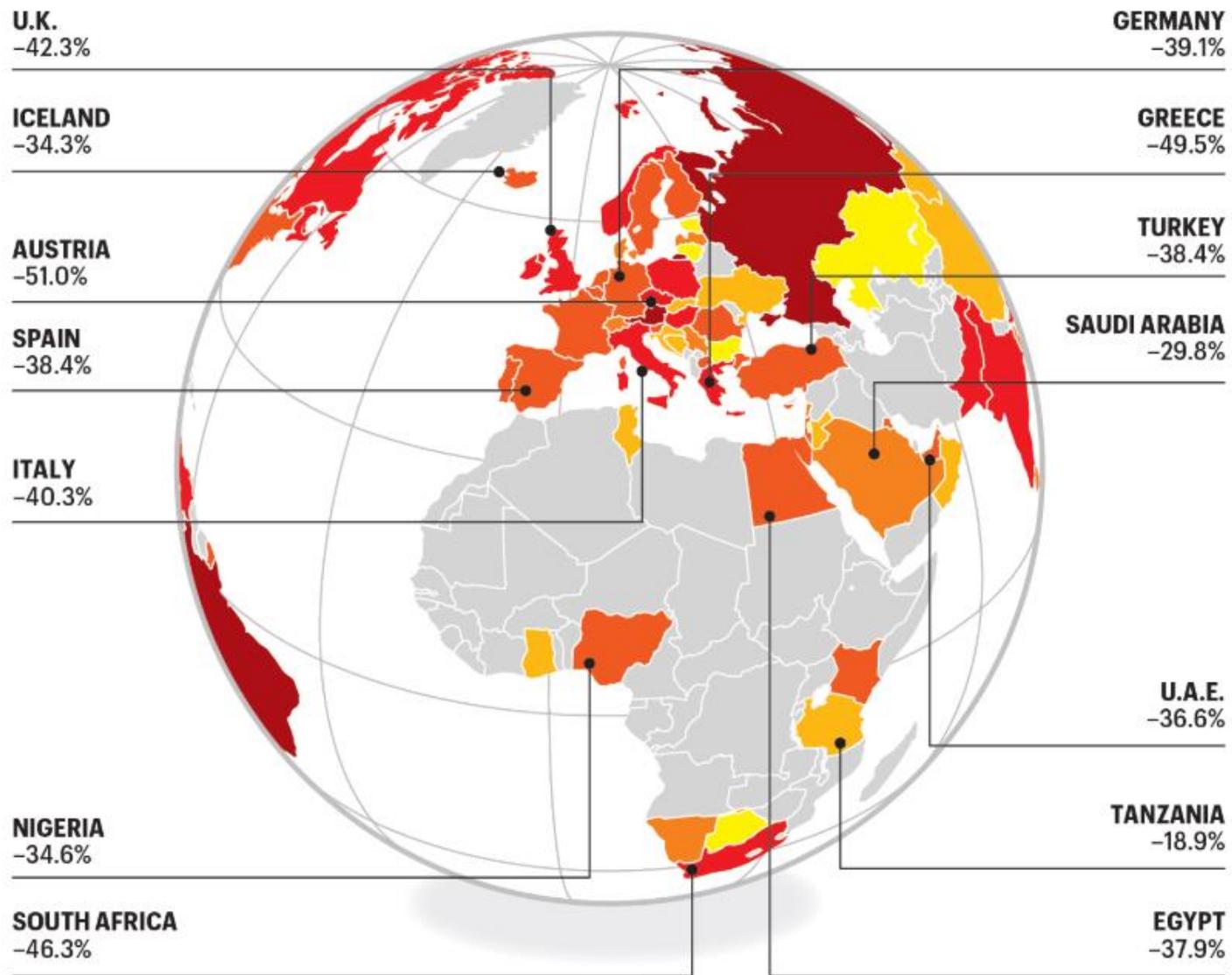
Major European Markets % Recovery From The Low of Covid-19



** as at 27th Apr 2020; Data Source : Bloomberg

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Impact on Europe & Africa Markets



Source: <https://fortune.com/longform/coronavirus-stock-market-economies-of-the-world-global-recession-2020/>

Thank you !



Thank you for reading.

In part III of the special report, the response of governments and central banks to the Covid-19 will be discussed.

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more reading material.

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