



Monthly Market Update

April 2020

On March 11, the World Health Organization (WHO) declared COVID-19 a global pandemic. WHO defines a pandemic as “the worldwide spread of a new disease”. COVID-19 has reached over 170 countries, with a total of over 2 million confirmed cases.



What has been the effect of COVID-19 on the economy so far?



One of the biggest effects is on **consumption**.

- The highly contagious nature of COVID-19 has caused many governments and private institutions alike to adopt social distancing or the practice of maintaining physical distance and reducing physical contact with one another.
- With affected countries implementing strict guidelines to contain the virus, there has been less demand for goods and services. As a result, business productivity has also taken a hit.

What has been the effect on the market?

Lockdowns around the world have slowed down economic activities and has caused international markets to decrease significantly in price.



The Global Purchasing Managers' Index (PMI), a survey-based chart that tracks the sentiment of companies regarding future business productivity, is an indicator of the near-term health of the economy. A score above 50 represents company executives that are ‘bullish’ or willing to take more purchases for their companies and are expecting expansion, while a score below 50 means an expectation of a contraction or decline in growth.

By the end of February, the Global PMI index hit 46.1, which is a significant drop from January's 52.2 mark and the three-year average of 52.9.

Consequently, the net asset value per unit (NAVPU) of indices has declined in the past few weeks (see graphs below). Based on the year to date (YTD) performance, equity indices seem to be entering a ‘bear’ market, which is typically defined as a 20% drop in the market.

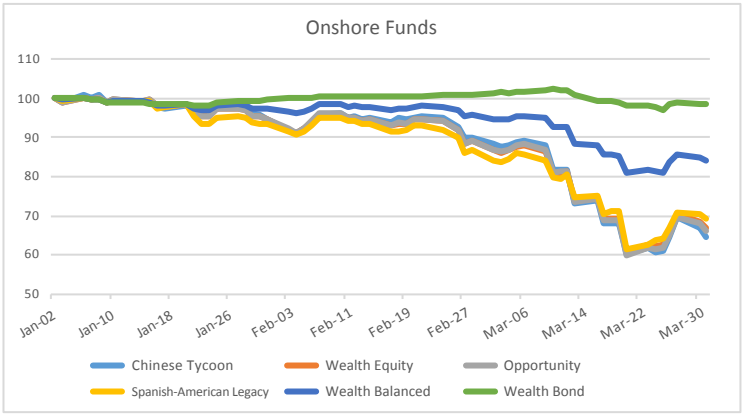


Figure 1. Year to date performance of onshore funds.

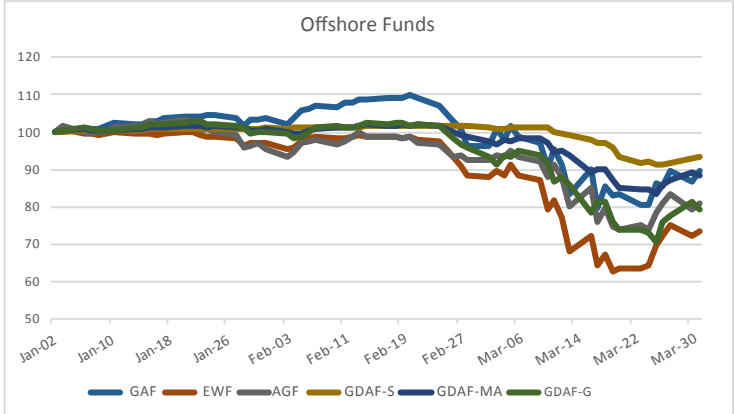


Figure 2. Year to date performance of offshore funds.

Onshore Funds Year to date as of March 31, 2020					
Chinese Tycoon	Wealth Equity	Opportunity	Spanish-American Legacy	Wealth Balanced	Wealth Bond
-35.3%	-33.1%	-33.9%	-30.7%	-15.9%	-1.4%

Offshore Funds Year to date as of March 31, 2020					
Global Advantage Fund	European Wealth Fund	Asia Growth Fund	GDAF-Stable	GDAF-Multi-Asset	GDAF-Growth
-10.2%	-26.6%	-19.2%	-6.6%	-11.4%	-20.8%

What is the outlook?

Stock markets are proven to bounce back from adversity and yield positive returns in the long run. For every large long-term gain, there will always be short-term drops—this is a fact that is often overlooked when it comes to investing in the stock market.



Figure 3. S&P 500 index performance from 1990 to 2000.

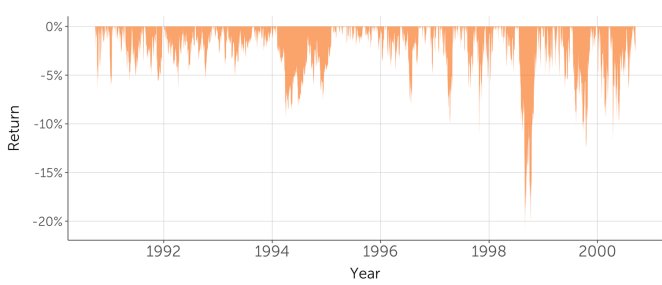


Figure 4. S&P 500 index market decline from 1990 to 2000.

Let’s look at S&P 500, one of the commonly followed equity indices comprised of 500 large companies in the US. From September 1990 to September 2000, it had its highest return in the index’s history with a whopping 487% gain, or 17.2% annually.

Looking at it closely, this long-term high return came with market drops in between. In the same decade, the market dipped as low as 20%.

Historically, downward-trending ‘bear’ markets have been much shorter than ‘bull’ markets, a market condition wherein stock prices are rising or expected to rise .

Our recommendation

Due to heightened uncertainty, you may move 10-20% of your investment from equities to cash funds such as Capital Investment fund for US Dollar and Peso Liquidity fund for Philippine Peso. This will allow you to reinvest these funds to equity indices when the market starts to recover. This is also where having diversified dollar-denominated investments will show its advantages as the US Dollar gains strength across multiple currencies. Moreover, it's important to stay calm and informed during this time. Here are a few things to keep in mind:



1. Remember the reason you have a variable unit-linked (VUL) policy - your protection benefit.

You bought a VUL since the protection benefit prepares you for worst-case scenarios such as what's happening right now. It is important that we recall that point of view by keeping that protection value and not withdrawing from our policies.



2. Remember that the reason you are investing is for a long-term goal.

And because of this, your investment should also be viewed in the same lens, and not just in the context of a recent drop. Having a diversified asset allocation is built for investing in the long term, as this strategy already considers any possible short-term drops along the way.



3. Stay the course.

It may be difficult, but in investing, we should all be able get used to the idea of watching our portfolio experience ups and downs on the way to achieving long-term goals.

We can battle these downs by keeping in mind that this is the short-term risk of investing. Bearing short-term risks is what makes long-term portfolios experience higher expected returns, especially when we practice a top-up strategy wherein we invest at these cheap levels.

As investors, the name of the game is being able to get through the tough times in order to earn the potentially high returns.

**Call your AXA financial partner for a more in-depth discussion
on how you can apply these recommendations.**

Sources:

<https://www.ubs.com/global/en/wealth-management/chief-investment-office/market-insights/2019/bear-market-guidebook.html>
<https://www.betterment.com/resources/expect-short-term-losses-for-long-term-gains/>
<https://www.betterment.com/resources/what-to-do-after-a-market-drop/>