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FACTSHEET

Coronavirus impact on the global economy

It's more important than ever to stay the course

The coronavirus (COVID-19) outbreak is first and foremost a human tragedy, affecting hundreds of thousands of people. Moreover, it is also having a growing impact on the global economy. The markets have been extremely volatile as investors weigh the effect of the coronavirus against measures aimed at easing its economic impact. Therefore, it's hard to say how this will affect investments in the short term.

Even with events like the coronavirus and global market volatility dominating the headlines, the key is to keep calm and remember that ups and downs are a normal function of markets, and part and parcel of investing. Bear markets are a fact of any investor's life. Single-day volatility will continue to be common, and we can expect choppy markets as investors and firms react to the ongoing pandemic.

RECALIBRATING THE MARKETS' OUTLOOK

If the markets follow the pattern established over the past few months, sudden market drops have been followed by similarly acute intra-day upswings as the markets absorb the news and recalibrate their outlook.

What we've recently been experiencing is global stock market lows not seen since the 1987 market crash – and as a consequence, many hard-hit companies have laid thousands of employees off. However, it's important not to let global uncertainties affect your financial planning for the years ahead.

'PREPARE, DON'T PREDICT' APPROACH

When markets look worrying, a 'prepare, don't predict' approach can often be the best strategy. Understandably, market falls can be unnerving and make you question your investments. A few months in, it is still hard to grasp the scale and scope of COVID-19's global impact. A third of the world population has been under some sort of 'lockdown'. Over 200 countries have been affected, and the number of new cases and deaths in many places has grown exponentially. All the while, a second crisis in the form of an economic recession is underway.

The increasing concerns surrounding the coronavirus outbreak pandemic have had a significant impact on markets around the world. However, performance chasing can be a costly mistake not only due to the narrow investment choices it encourages, but also due to the higher costs and taxes incurred. Overall, investors can end up selling low, buying high and, importantly, missing out on creating long-term value.

FINANCIAL PLANNING FOR THE YEARS AHEAD

Remember that the overall direction of developed stock markets is a relentless and continual rise in value over the very long term, punctuated by falls. It's important not to let global uncertainties affect your financial planning for the years ahead. Individuals who curtail their investment planning, particularly during market downturns, often miss out on opportunities to invest at lower prices.

Such volatility is less worrying if you take a longer-term view. It's important to stick to your strategy and keep moving ahead consistently by spreading risk and growing your wealth. Volatility in stock markets understandably makes investors nervous. However, on the flipside, not all volatility is bad – without volatility, stock prices would never rise. ■

TRY TO THINK LONG TERM

Even during this pandemic crisis, our financial solutions and expertise to clients still remains the same, to actively grow and protect their wealth over the long term. If you would like to find out more or discuss your situation, please contact us.

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