Invesco

Global Monthly Outlook

March 2020 (covering February 2020)

Index	February (%)	YTD (%)
MSCI World	USD -9.6	-8.9
S&P 500	USD -9.6	-8.3
MSCI Europe	EUR -10.0	-9.6
MSCI Asia Pac ex Japan	USD -7.5	-7.8
Hong Kong Hang Seng	HKD -6.2	-7.0
Hang Seng China Enterprises (H-shares)	HKD -6.1	-7.8
Topix	JPY-10.7	-2.1

Source: Thomson Reuters Datastream, total returns in local currency unless otherwise stated. Data as of February 28, 2020. YTD refers to year-to-date.

Global Outlook

Global equities fell sharply over the month as news emerged that the spread of the coronavirus was accelerating outside of China. As sentiment got increasingly worse through the month, market participants flocked towards perceived 'safe haven' assets. All sectors saw a decline with the worst hit being the travel and leisure stocks such as airliners and hotels have experienced sharpest falls as cautious consumers forgo holiday plans and governments continue to increase restrictions/guidance on unnecessary travel. Core government bonds and commodities such as gold were the main beneficiaries against this backdrop.

United States

- The US equity markets reaching all-time highs before rising concerns over the spread of coronavirus triggered a sharp sell-off. With concerns mounting over a global slowdown and the negative impact; US equities ended the month with their worst weekly decline since the Global Financial Crisis in 2008.
- The US equities' valuation has returned to more reasonable level following February sharp correction. The latest tax and interest rate cut may provide some short-term relief, but focus remains on impact of a pandemic scenario in US.

Europe (including UK)

- The European and UK equities fell on fears the coronavirus could pose a serious challenge to economic growth. The spread of the coronavirus was accelerating outside of China. It was the sudden surge of cases in Italy. Which eventually resulted in entire towns being locked down, that spooked investors and led to frenzied selling in equities.
- The challenging situation in Italy and concern for widespread to Pan European countries; investors are generally risk off and rotating to defensive trading at above-historical-valuation.

Asia Pacific (ex Hong Kong ex China ex Japan)

- Asian equities were generally weak in February as the spread of the coronavirus outside China accelerated, raising concerns over the impact on global economic growth. A sharp increase in new cases of coronavirus in South Korea saw its currency and equity market weaken sharply.
- It remains to be seen how COVID-19 impact on individual Asia Pacific ex Japan economies. The latest rate cut in US should be generally favorable for EM and Asia currencies.

Hong Kong and Mainland China (H-shares)

- Chinese and Hong Kong equities continued with the decline in February. The COVID-19 outbreak remained in focus and is spreading beyond China and caused market concern over its disruptions to economic growth and corporate earnings. Hong Kong underperformed the Chinese market but outperformed the rest region.
- The China and Hong Kong markets are ahead of other regions to contain widespread. We believe from SARS experience, we can expect a V-shaped recovery but global situation remains uncertain.

Japan

- Japan's equity market also weakened, with concerns that the coronavirus outbreak will tip the economy into recession. Analysts had been expecting 4Q GDP growth to be weak, reflecting a rise in sales tax, the fallout from a powerful typhoon and the US-China trade war.
- Market concerns on continuity of 2020 summer Olympics and economic impact if postponed or cancelled. Yen has been resilient due to flight to safety.

Fixed Income

- As the Coronavirus spread across more countries, concerns about its impact on global economic growth intensified. Against this backdrop, core government bonds were the main beneficiaries. The exception to the positive returns within the market was Italy.
- Weak US dollar and unprecedently low interest rates globally. Central banks worldwide are also easing to procure growth. In such environment, we favors corporates over government, with investors continuing to search for yields and better carry.

Emerging Markets

- In a volatile month for emerging equity markets, initial gains were soon wiped out by concerns of a global growth slowdown as fears grew that the coronavirus could be more widespread than first thought. While all regions in emerging equity markets fell in value, losses in Asia were less pronounced due to the outperformance of China.
- We believe that valuations in emerging equity markets are relatively attractive, trading at a discount to their peers in the developed world, with selective long-term stock picking opportunities remaining.

From the perspective of Hong Kong pension investing. All data are sourced from Invesco dated March 19, 2020, unless otherwise stated.

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