
Market Review

February 13, 2020

Market Commentary

The Wuhan coronavirus outbreak in China, which accounts for 20% of global GDP, will have a material impact on global economic growth. The extent of the disruption is dependent on the epidemic curve, China's ability to contain the virus and when a vaccine is developed.

The Chinese economy will be hardest hit, followed by neighbouring countries in the region with close travel and supply chain links to China. In addition, commodity producing countries may see softer growth due to weak China demand and lower commodity prices. Within consumer-oriented developed countries, falling oil prices will boost household purchasing power.

While the progress on trade is supportive for industrial activity, the coronavirus outbreak has dampened visibility in economic forecasting and thereby, commitment to major investments for long-term projects. The uptick in the U.S. ISM Manufacturing Index to expansion in January was encouraging, however, this survey was taken at the very initial stages of the outbreak.

Stock markets have largely shrugged off the health crisis, buoyed by generally better than expected Q4/19 corporate earnings, a robust employment situation and stimulative central bank policies.