
Global equities: market volatility update

Global Equities | March 2020



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Concerns around coronavirus have been felt in global equity markets for more than a month now. However, things escalated last week, with the steep sell-off in oil further compounding fear around the recessionary impact of the virus.

Despite the efforts of policymakers and central banks to provide further stimulus, markets have instead focused on the measures being taken to contain the spread of the virus and their economic impacts. As a result, markets across the globe have had a turbulent month. The MSCI ACWI is now down 30% from its previous high on 12 February 2020, while the MSCI World Small Cap is down 38% from its high on 20 January 2020¹.

In the global equity team at Columbia Threadneedle Investments we have a preference for investing in high-quality, competitively advantaged companies. We like them to have strong balance sheets and recurring cash flows, and this has provided some element of buffer despite the indiscriminate nature of the market upheaval. In fact, our [Global Select](#), [Global Focus](#), [Global Smaller Companies](#) and [Global Extended Alpha](#), strategies are all ahead of their respective benchmarks over both the month and year to date².

In terms of activity, we haven't made any material changes to portfolios over the past few weeks. We had reduced cyclicality across strategies earlier in the year, increasing slightly the cash buffer in some instances, and this has stood them in good stead for what we've seen over March.

The companies we own remain fantastic franchises, with strong balance sheets and good medium- to long-term opportunities, which should see them do well relative to their peers. Moreover, although many of our favoured names have held up well on a relative basis, they now

¹ Bloomberg, 19 March 2020

² Past performance is not a guide to future returns. For more information please refer to: www.columbiathreadneedle.co.uk/en/our-capabilities/threadneedle-global-equities/#globalequitiescapabilities

trade at an even greater discount to their long-term intrinsic value. Where we have been making trades across portfolios, it has been to allocate capital to names that have been oversold but remain, in our view, high-quality, long-term winners.

We monitor the liquidity profile of our strategies on an ongoing basis, both through our daily risk reports and through continual contact with our trading desk. While markets have been volatile, we continue to see adequate daily traded volumes in the companies we own and do not currently have any concerns.

Future trends

The knock-on effect of the situation is certainly serious and represents a shock to the world economy. Supply chains have been disrupted, as has consumer demand, and many companies will inevitably postpone investment due to the uncertainty. However, while the economy is fully in the grip of the pandemic and we do not know when it will end, it will likely bring about change in the way we live and what we value.

Many of these changes will be hard to predict, but some are practical in nature. As I write this from my desk at home, remotely accessing the corporate network, I think towards the cloud computing providers. Cloud revenue was set to increase to more than \$330 billion by the end of 2022, up from \$182 billion in 2018³. Might this enforced period of home working accelerate the move to the cloud and away from legacy IT infrastructure? Similarly, the move from cash to card has been an enduring trend for some time, but will this be a further catalyst as more purchases move online and people move away from cash over hygiene concerns?

While we may see further disruption to existing business models, there will likely be opportunities for innovative companies across a range of industries, from healthcare to technology and beyond. Indeed, embracing innovation to drive competitive advantage is what we like to see in companies and I encourage you follow our blog, [World in Motion](#)⁴, for further insights as the situation develops.

³ Columbia Threadneedle Investments, Bloomberg, 2018/Gartner, November 2019

⁴ www.columbiathreadneedle.co.uk/en/insights/world-in-motion-global-equities-blog/



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