The investment implications of coronavirus

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The economic impact of the Coronavirus

Direct Impact
as activity curtailed

Indirect Impact
via weaker business & consumer confidence & supply chain disruption

Policy Response
by governments & central banks
The direct hit

Sharp slowdown if significant at whole economy level

However, someone who doesn’t buy a car in Q1 probably buys it in Q2 or Q3. This causes big hit, then recovery

A coffee or dinner with friends that doesn’t happen in Q1 probably doesn’t happen instead in Q2.

Source: Capital Economics
The indirect hit to growth

Fall in business & consumer confidence

Supply chain disruption
The policy response

Looser Monetary Policy

Looser Fiscal Policy

Measures to protect financial system
Our views on economic outlook

Over the next few months depends entirely on the spread of the virus and the measures taken to control it.

This is unforecastable.

The measures taken by central banks and government may provide support to markets, but will have little impact on the economy in the near term.

Once the virus is contained we would expect a snapback in economic activity, supported by the return to normal and the policy measures.
# Market impact & outlook

<table>
<thead>
<tr>
<th>Thus far</th>
<th>Next few months</th>
<th>Next few years</th>
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</thead>
<tbody>
<tr>
<td>10% fall in equities:</td>
<td>Modest</td>
<td>Uncertain: markets will follow the virus</td>
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<td>1% Rally in US bond yields:</td>
<td>Massive</td>
<td>Fundamental drivers to re-assert themselves</td>
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<tr>
<td>10% fall in Commodities:</td>
<td>Big</td>
<td>Economy to pick-up after virus fades</td>
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<td>EM FX and $ down:</td>
<td>Volatility</td>
<td>End cycle worries may reappear</td>
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<td>Challenging political environment may remain</td>
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<td>Asset prices generally still looking rich</td>
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### What should you be asking?

| Reaction | Resilience | Resolution |
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Staying the course

- Idea generation
- Portfolio construction
- Implementation
- Business management
Lessons from the past

Average three-year past and future performance
(relative to Peer Group)

Source: Mercer
Thinking long-term
And looking through

- How long have you got?
- Policy risk
- Structural trends
- Business as usual
- Social licence to operate
- Position for climate change

It's a matter of time...
Thank you

For further information and materials, please visit our Coronavirus hub on www.mercer.com

Please send us any questions by email to dscommunications@mercer.com