

# WEEKLY MARKET INSIGHT

COVID - 19 UPDATE | INVESTING | THE ECONOMY

## What the market revealed this week

---

### Do not panic

Investors should not panic sell during bad times. Markets fell as much as 35% from their highs before last week but quickly saw a bounce back of nearly 20% as the U.S. and other world governments approved stimulus measures. A strategy to consistently invest over the long run while adjusting asset allocations will help clients to achieve their goals.

### Fundamentals do matter

Companies with prudent management teams have held up better than aggressive companies through the weakness seen in the market. Cash rich companies have been able to maintain employees while others seek government bailouts to get them through. We will continue to invest in fundamentally strong companies that can thrive in any economic environment.

### Innovation is critical

While the government is stepping up to stop the bleeding, it is important not to stifle innovation in the private sector. This week, Abbott Labs announced a test that would provide positive results in 5 minutes and negative results in 13 minutes. As the world grapples with the virus, quicker testing could speed up containment of the virus as demand for test kits outpaces supply. While healthcare companies generally get a bad name for pricing, it is important to our daily lives that these companies continue to innovate and provide solutions for our health.

### Weekly Financial Tip:

**Review your finances:** *Many workers are facing challenging times as companies close their operations and employees are terminated, laid off or offered pay cuts. No matter your employment status, now more than ever is the time to review your finances. Reduce all non-essential and discretionary spending in the event things get worse.*

---

As the novel coronavirus continues to wreak havoc on the health and well-being of citizens and healthcare systems around the world, concerns are emerging about the economic and financial fallout during and in the wake of this pandemic.

At the time of this report, over 713,000 persons have tested positive for COVID-19 and sadly more than 33,000 of these individuals have died as a result of the virus. Likewise, the economic losses are mounting and getting worse with each passing day. It is expected that global economic growth will see a sharp decline in 2020, as the necessary restrictions on the movement of people, the closure of borders, and reduced trade in goods and services limit economic output. Additionally, global stock markets have plummeted, and businesses around the world have closed their doors, with some able to continue their operations remotely, while others are closed indefinitely. Workers have also been dealt a devastating blow, with many losing their jobs or furloughed without pay.

The Bahamas is not exempt from the harrowing effects of the novel coronavirus. At the time of this report, 14 persons have tested positive for COVID-19 in The Bahamas, and no deaths have been reported. The Inter-American Development Bank (IDB) estimates, in a worst case scenario, the Bahamas' current nominal GDP of \$12.424 billion could be slashed by as much as 26% or \$3.230 billion to about \$9.194 billion, a level not seen since prior to 2012. Major cruise lines have ceased operations, reducing our cruise arrivals to zero. The limitations placed on travelers around the world by governments, have resulted in hotels like Atlantis and Baha Mar temporarily shutting their doors and placing employees on leave. These unprecedented events, coupled with the government's mandated COVID-19 curfew orders to mitigate the spread of the virus, have had a rippling effect on the Bahamian economy and local businesses.

The response to the coronavirus pandemic by governments and central banks around the globe have varied from as low as 5.0% of GDP to over 16.0%. The Bahamas, in particular, has announced an initial stimulus package of \$24.0 million or a mere 0.20% of GDP. This fiscal package is comprised of \$4.0 million allocated to strengthen the country's healthcare system and the remaining \$20.0 million is allocated to support small and medium size businesses' operations and employment levels during this time of lockdown. On the monetary and macro-financial front, the Central Bank of the Bahamas has worked with local domestic banks and credit unions to defer repayments on credit facilities for businesses and households affected by COVID-19 for three months. The Government of the Bahamas is also utilizing the National Insurance Board Fund to support workers, particularly in the tourism sector who have lost their jobs. The Minister of Finance, Peter Turnquest has indicated that additional economic stimulus to safeguard businesses and workers are to be expected.

The coronavirus pandemic has the potential to take the Bahamian economy to 'ground zero'. We are supportive of the efforts by healthcare experts and the government to save lives by seeking to prevent the spread of COVID-19 throughout the Bahamas, and protect the country's already fragile healthcare system. However, navigating the economic and financial woes of the novel coronavirus is equally essential to the Bahamian economy's future revival.