TOBAM

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‘They seem to pale into insignificance’: Nine investors compare previous crises to coronavirus

By Jessica Tasman-Jones, 7 Apr 20

‘I remember days in 2008 looking at the Bloomberg screen and feeling physically nauseous’

Tatjana Puhan, deputy CIO, Tobam

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[‘They seem to pale into insignificance’: Nine investors compare previous crises to coronavirus]
Jessica Tasman-Jones | 07 April 2020

“What is clearly special about this sell-off compared to market reactions in 2008, 2001 or the late 90s is its suddenness and brutality. Moreover, this crisis comes along with an unprecedented dry out of market liquidity – even in equity markets, with bid-ask spreads widening significantly – and despite central banks starting to pump money into the system.

“Another striking evolution in the equity market that has contributed largely to making this crisis very different from the TMT bubble burst in 2001 or the global financial crisis in 2007-2009 is that it has been preceded by a trend toward market concentration of most major indices starting in 2014/15 and this has accelerated significantly during this crisis.

“We currently see a lot of interest in taking advantage of the unprecedented price dislocations that have happened in the credit market. The Covid-19 economic impact is very much short term and triggered an indiscriminate positions liquidation whereas the short end part of the market suffered more than its fair share.

“On the equity side, re-risking the portfolio will eventually start to become important so as not miss out on the rebound. However today, a V-shape recovery seems unlikely as uncertainties and risks to further downside remain very high. Hence, positioning the portfolio today for a big rebound might not be the very first focus.”