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SHENKMAN

Viral Volatility

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By: Mark R. Shenkman, President & Co-Chief Investment Officer

With less than one month to go until the eleventh anniversary of the raging bull market, fear of coronavirus (COVID-19) contagion viciously attacked the global markets. As a result, the DJIA and S&P 500 suffered their worst one week decline since the 2008 financial crisis, plunging U.S. Treasury yields to all-time lows as investors sought safer assets. With the virus spreading to more countries, disrupting trade, demand, and manufacturing, investors began to price in the risk of a global slowdown, or possibly a recession. Unlike the 2008 financial crisis, which saw a breakdown of the financial system, this epidemic may have a transitory impact on the global economy. Investors have been searching for the catalyst which would trigger an overdue market correction and have now identified it. The biggest economic and market implication of the COVID-19 virus is uncertainty over the depth and duration of the outbreak. While the underlying U.S. economic fundamentals appear sound, once again, the Fed has taken action in an effort to prevent a liquidity crunch.

Please Contact Marketing@ShenkmanCapital.com for the full letter.